

FISCAL YEAR 2003 BUDGET REQUESTS FOR THE DEPARTMENT
OF THE INTERIOR, THE U.S. FOREST SERVICE, AND
THE DEPARTMENT OF ENERGY

HEARING
BEFORE THE
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

TO RECEIVE TESTIMONY ON THE FISCAL YEAR 2003 BUDGET RE-
QUESTS FOR THE DEPARTMENT OF THE INTERIOR, THE U.S. FOREST
SERVICE, AND THE DEPARTMENT OF ENERGY

FEBRUARY 12, 2002



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CONTENTS

STATEMENTS

	Page
Bingaman, Hon. Jeff, U.S. Senator from New Mexico	1
Cantwell, Hon. Maria, U.S. Senator from Washington	2
Carnes, Bruce, Chief Financial Officer, Department of Energy	27
Griles, J. Steven, Deputy Secretary, Department of the Interior, accompanied by P. Lynn Scarlett, Assistant Secretary for Policy, Management and Bud- get	7
Murkowski, Hon. Frank H., U.S. Senator from Alaska	4
Rey, Mark, Under Secretary for Natural Resources and Environment, Depart- ment of Agriculture	22
Scarlett, P. Lynn, Assistant Secretary—Policy, Management and Budget, De- partment of the Interior	13

APPENDIX

Responses to additional questions	51
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FISCAL YEAR 2003 BUDGET REQUESTS FOR THE DEPARTMENT OF THE INTERIOR, THE U.S. FOREST SERVICE, AND THE DEPART- MENT OF ENERGY

TUESDAY, FEBRUARY 12, 2002

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room SD-366, Dirksen Senate Office Building, Hon. Jeff Bingaman, chairman, presiding.

OPENING STATEMENT OF HON. JEFF BINGAMAN, U.S. SENATOR FROM NEW MEXICO

The CHAIRMAN. Why do we not go ahead with the hearing? I believe Senator Murkowski is on his way, and we will start since we have a very short time period here. As I understand it, we have got three votes scheduled on the Senate floor at 10:40.

This morning the committee will review the budget proposals of the Energy Department, the Interior Department, as well as the Forest Service.

We have limited time. I am sorry Secretary Abraham and Secretary Norton were unable to be here. I understand there are also time constraints on some of our witnesses.

This year the Department of Energy received a 2.9 percent increase over last year's appropriated amount, or \$21.9 billion. Defense related programs received a 5.7 percent increase, while the civilian programs would be increased less than 1 percent, .7 percent.

So, there is a legitimate question as to what is happening, what this indicates for the civilian activities within the Department, in particular what is happening to State energy grant programs, to energy research and development programs, to other programs that invest in future energy supply and conservation technologies, and the Department's Office of Science, which involves our Nation's investment in future engineers and scientists for energy-related fields.

The Department of the Interior and Forest Service budgets. I appreciate that there are always difficult choices to be made among competing programs in both of those budgets. I am troubled, at almost every possible opportunity, the administration proposal involves deep cuts in programs that assist communities, assists them

in creating sustainable futures for themselves. The administration's budget eliminates the Forest Service economic action programs. Those are programs that have had bipartisan support and are very popular in the rural communities in my State.

The administration also proposes a significant cut in funding for the Payment in Lieu of Taxes program, the PILT program. This provides badly needed funds to local government units, particularly in the West where there are a lot of Federal lands, to help offset the loss of tax revenues as a result of Federal ownership of those lands.

Also, I note that the administration has not requested any additional funds for the Youth Conservation Corps, which I believe is a very valuable program to train young people in public land stewardship.

I am concerned also about the administration's budget in the Land and Water Conservation Fund. This is the second consecutive year that the administration is proposing to fund several programs by using Land and Water Conservation funds. The proposals are to use those funds even though the programs to be funded are not authorized to receive those funds and even though several of those programs are not authorized at all. As a result, the administration I believe would leave too little money for the important purposes that the Land and Water Conservation fund was created for, that is, open space, recreation, and Federal land acquisition.

Based on the early indications again in my State and the Southwest, it is very possible that we will have another bad fire season. I am somewhat puzzled as to why the Forest Service budget proposes to reduce fire preparedness by \$39 million from last year's level. I hope we can discuss in further detail later in the hearing how we can be assured that there will be adequate resources to deal with the fire situation we may face in much of the West.

Finally, there are a number of pressing issues related to Indian trust fund reform I want to speak to Secretary Griles about, and I know he is on top of those issues. I understand the Department is working under a court order that has required most of its computer systems to be disconnected. In my State again, this has caused some substantial impacts on many people who depend upon those BIA payments.

Because of the limited time that we have available, I will be submitting many of the questions that I have prepared in writing to be answered for the record. As I indicated, we will have several votes starting at 10:40.

Let me call on Senator Murkowski for his opening comments.

[A prepared statement from Senator Cantwell follows:]

PREPARED STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR
FROM WASHINGTON

Thank you, Chairman Bingaman, for holding this hearing on the President's budget requests for the Departments of Energy, the Interior and the Forest Service. The budgets of the Forest Service and Department of the Interior pose a number of important questions about this Administration's commitment to our nation's rural communities—particularly those attempting to diversify their traditionally resource-based economies—as well as its commitment to environmental stewardship.

However, I'd like to focus most of my opening remarks this morning on another topic of critical importance for the residents of Washington state: clean-up at the Hanford Nuclear Reservation.

As many of my colleagues are aware, Hanford stores 54 million gallons of dangerous high-level radioactive waste in 177 massive underground storage tanks, 149 of which are 30 years past their design life, and about 67 of which have leaked at least one million gallons of waste into the soil—a mere 7 miles from our region's lifeline, the Columbia River.

The amount of waste at Hanford is greater than on any other Department of Energy site. Aside from the materials contained in the tanks, officials estimated that when Hanford was an active nuclear weapons plant—providing vital support to this nation during World War II and the Cold War—about 450 billion gallons of radioactively contaminated water was dumped directly into the ground. There are now wells located along the Columbia River shoreline that register Strontium 90 levels that are 1,600 times the Federal Drinking Water Standard.

These are just a few of the issues we face in my state, home to the nation's most toxic nuclear clean-up site. A timely clean-up at Hanford is essential to the quality of our state's water and environment, as well as our public safety. That is why the TriParty Agreement exists—a legally-binding document and consent order that requires DOE to clean up Hanford, in compliance with state and federal environmental laws.

This Administration must understand that to fall behind in Hanford clean-up is an unacceptable risk to the people of Washington. This a message I have repeatedly sent to Secretary Abraham. During his confirmation hearing, the Secretary assured me that he would "take the obligations under the TriParty agreement very seriously," and further, that he recognizes "the need to meet commitments that have been made."

But despite these assurances made in January, when the Administration's budget was released last April, funding for Hanford clean-up was slashed—falling about \$400 million short of what was needed to meet the milestones contained in the TriParty Agreement—and Secretary Abraham announced he would initiate a top-to-bottom review of the Environmental Management program.

Rejecting these misguided budget cutbacks across the Environmental Management program, Congress spoke with a unified voice in restoring the funds necessary for the federal government to meet its clean-up obligations. In fact, it was a bipartisan effort that involved a number of my colleagues on this Committee.

Now, the top-to-bottom review is complete and we are here today to review the President's Fiscal Year 2003 budget request. While the Administration boasts that it has fully funded the program, commensurate with last year's appropriated level, the fact is that only \$5.9 billion of the \$6.7 billion needed to meet federal obligations is guaranteed to the sites that are home to our nation's nuclear waste.

This leaves Hanford about \$262 million short of the funding needed to meet obligations contained in the TriParty Agreement. Among those programs that the President's budget would cut at Hanford: stabilization of 22 leaky, single shell tanks and the transfer of waste to safer double-shelled tanks by 2004; the design, construction and commissioning of the vitrification plant needed to process the tank waste; and the design and installation of a waste retrieval system that will move waste from the tanks to the vit plant when it is set to begin operation, by 2007.

As many of my colleagues are aware, the Administration has said there may be room to restore funding to these programs—so critical to maintain the gathering momentum behind Hanford clean-up. The President's budget includes in its request an additional \$800 million for the purpose of clean-up reform—to initiate "alternative approaches" to clean up, engaging states in a renegotiation of their priorities.

Make no mistake: I wholeheartedly support the concept of a more efficient and cost effective clean-up. DOE's stated purpose—to more effectively manage the risk at these sites—makes a good deal of sense. After all, Secretary Abraham himself has labeled Hanford clean-up one of the EM program's "urgent challenges."

However, this Administration and DOE must realize—first and foremost—that forcing us to compete with other sites for the money necessary to comply with the TriParty Agreement does not only violate the agreement itself, it breaks the federal government's moral contract with the people of Washington state to clean up this dangerous waste. It is the federal government's obligation to live up to the TriParty Agreement, while the people of Washington are not obligated—in fact, we refuse—to sacrifice environmental quality in order to ensure that we secure the money needed to continue our progress at Hanford in the short term.

In fact, I—along with many in the Washington state delegation and TriCities community—are bewildered by budget cuts to programs that Hanford managers and state regulators are already working to accelerate. For example, the DOE budget says the agency wants to accelerate the removal of spent nuclear fuel from the so-called K-basins near the Columbia River. Many of the preparations for this project have just been completed and the removal efforts have recently reached full speed.

The question, then, is what does DOE want before it restores the \$62.7 million in funds cut from this program? Certainly, we cannot accelerate these activities with less money.

Mr. Carnes, as you are probably aware, my friend and colleague from the State of Washington, Sen. Murray, last week asked OMB Director Mitch Daniels about these funding cuts. When pressed, he said that Secretary Abraham should explain “his plan.” The people of Washington and their elected representatives deserve answers.

We need to know just what projects DOE is targeting and how these accelerations will fit within the existing TriParty Agreement. Our regulators must be allowed to ensure they will not lessen the environmental quality of the cleanup. The people of Washington need to know how and when DOE intends to approve these plans, and what criteria the agency will use in doing so. And we need to know whether OMB is serious in its reported commitment for multiple years’ worth of full funding if and when DOE reaches agreement with states and regulators on speeding up the clean-up process.

Mr. Carnes, I hope that you are prepared to answer some of these questions for us today. But, Chairman Bingaman, I believe this is an extremely important area for this Committee to further explore. With the issuance of DOE’s top-to-bottom review, I believe now is an opportune time to hold an oversight hearing on the Environmental Management program’s new direction. Despite what is certain to be a hectic schedule, I hope we can hold such a hearing in the next month or two, before the Senate will be forced to make important funding decisions during the budget and appropriations processes.

Again, thank you for holding this important hearing. I look forward to hearing the testimony of today’s panelists.

STATEMENT OF HON. FRANK H. MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Good morning, Senator Bingaman.

The CHAIRMAN. Good morning.

Senator MURKOWSKI. And good morning, ladies and gentlemen. I am pleased to see some familiar faces here, a few that I have not seen since confirmation, but glad to see them this morning because this is where we really get down to the meat of things. We are going to start right in with a little reference that suggests that while I am pleased to have your budget, I am not pleased with your budget.

We address priorities and many of them are as a consequence of what happened on September 11. But I think it is fair to say a war is no time to skimp on energy, defense, and resource spending—development—that is what funds our economy and keeps our Nation free.

I am pleased to note that both the Interior and Energy budget requests recognize the role of a sound energy policy in contributing to national security.

The Department of the Interior is not often thought of as an energy agency. However, Interior manages lands, subsurface rights, and offshore areas that produce approximately 28 percent of the Nation’s energy. Secretary Norton’s budget request seeks to implement portions of the national energy policy that will expand and diversify our Nation’s energy supplies.

And Secretary Abraham in his budget request, when talking about the Department’s overarching mission of national security, notes what I have been saying for some time: a strong America requires a secure and reliable source of energy.

Let me refer to the Department of Energy specifically. The budget request is \$21.9 billion, an increase of \$582 million over the last year’s spending level. The budget reflects the new reality and the

new threats that we face. We saw an economic threat to our well-being last year in the form of constrained energy supplies and higher energy prices. As a result, the U.S. economy has been identified as hanging on the brink of a recession. We have seen thousands of hard-working Americans lose their jobs, and DOE's programs create the new energy technologies—fossil, nuclear, renewable, efficiency—that get Americans back to work and get our economy going again. DOE's budget request addresses threats to our infrastructure through increased funding for protection.

I am especially pleased to see a considerable increase in funding for nuclear waste programs. It is important to keep this program on track and continue the progress we have been making. In fact, the President is due to make his recommendations on site suitability to the Congress any day now. And I am sure we will hear from Senator Reid very soon.

There are areas of the budget requests, however, that I am not so pleased with. For example, I support the new "Nuclear Power 2010" initiative, the goal of which is to have a new plant on line by the year 2010. It is rather exciting. I think it is very responsive to the concern we have to develop alternatives that are emissions-free.

However, in looking at the budget, there is no increase in Nuclear Energy. In fact, it is a decrease of over \$43 million. To me this is unacceptable. I cannot understand how you can, on the one hand, promote nuclear power and then cut the technology funding to the level that you have.

I am also concerned about cuts to the fossil energy R&D programs. Our Nation is going to continue to rely on fossil fuels for the next several decades, even as we develop new energy resources.

I am also taking a look at funding in the State of Alaska. You might say, well, that is rather selfish in the sense that I represent the State and obviously am sensitive to it. But when you consider Alaska is the sixth largest producer of energy in the United States, all forms of energy, that we are the largest producer of crude oil, and out of the \$21.9 billion budget which you have got, only \$2.4 million will go to Alaska. That is .01 percent. Yet, I would remind you we produce 20 percent of the crude oil produced in the United States.

Last year in Congress we authorized the creation of a Department of Energy office in Alaska to seek new partnerships to develop new energy sources. Last year that was funded at \$5 million. The Department has failed to fund this office at this time. I am going to put you on notice, Mr. Carnes, that we will have some more conversations about this. The State of Alaska contributes considerably to the energy security of the Nation, and the DOE needs to recognize this in the budget priorities.

I was just comparing apples and oranges, and they do not compare, but in the budget for the State of Alaska, as I have indicated, there is about \$2.4 million. In the State of New Mexico, it is \$3.63 billion. Of course, we do not have the labs. Nevertheless, I think it is fair to look at the comparison of dollars, your considerable expenditures to maintain the contribution those labs make. I am not being negative in any manner for them. I am just suggesting that for a State that produces as much energy and has the potential of

producing as much energy as we have, I think the numbers are way out of whack.

According to the EIA statistics, as I indicated, Alaska is the sixth largest energy producing State in the Nation, just behind Texas. I also would note that we produce more energy per capita than virtually all the other States. So, we are going to have time, Mr. Carnes, as I indicated, to discuss this.

I will go to the Department of the Interior very briefly. I believe the Department of the Interior's budget request is a relatively well-balanced approach to conservation of our Federal lands and responsible management of our natural resources. The Interior budget highlights responsible development of energy resources on Federal lands, thus contributing to reducing our dependence on foreign sources of energy.

I am pleased to see the increase of \$3 million to be used to accelerate leasing, exploration, and development on the North Slope.

I would also note that there is a revenue estimate in your budget of revenues from the proposed lease sale of ANWR at about \$1.2 billion. I think that estimate is a little under what I would suggest would be a reality. Also, I believe that that estimate is from a single sale, and I doubt very much it would be limited to a single sale. So, I think you could anticipate substantially more on multiple sales.

This increase can be used to speed up exploration and development in both the Naval Petroleum Reserve-Alaska and, as I indicated, ANWR. Development in both these areas is critical because they are America's best prospect for increasing domestic oil production in the North American continent.

Now, while BLM's budget was increased for energy related activities, I was not happy to see that the budget reduced Payment in Lieu of Taxes by \$45 million. We seem to have the budget reducing PILT, and we put it back in, and this year is no exception. PILT is important for local governments throughout the West as the Federal Government's appetite for Federal land continues to increase.

In this budget alone, BLM is asking for more than \$40 million for land purchases to add to its land base. I have a hard time with that. I do not know why BLM could not acquire the land through trades rather than authorization and appropriation. It would seem to me we have got a pretty heavy load of land already, and further land, if it is necessary, could be acquired by trades rather than an outright appropriation.

I am also concerned about why the Department continues to fund CALFED in the absence of reauthorization. I know how strongly the California delegation feels about this program, and I am not here to criticize the program. What we have not done is done an authorization for it. So, I see that \$15 million is provided this year. As I recall from last year, the conference committee recommended no funding in fiscal year 2002. The Clinton administration would not fund this program. There was no authorization. So, there is some shifting of monies going on to accommodate what is really an unauthorized program. I would prefer to see proper authorization rather than this sleight of hand that we keep coming up with.

As for the National Park Service, I am pleased to see that you will continue to address the maintenance backlog of our National

Park System, something the Bush administration committed to last year.

I have also been concerned about wildfire threats to our Federal land and certainly was worried about the forest fires last spring and summer. Therefore, I was glad to see the administration has continued its commitment to fire suppression.

Additionally, I was pleased to see funds in the budget for the construction of fire barracks and so forth in the West.

The Forest Service budget request. I commend the administration for making a clear effort to control costs and coming to us with what is essentially a flat budget for the Forest Service. There are, however, a few items that cause me some concern with respect again to Alaska. The most startling is that there is the proposal to allow parties to purchase timber sales with no requirement that the sales be harvested. Perhaps the Honorable Mark Rey can enlighten me on that a little bit.

Over the past 6 to 8 years, the Forest Service's failure to offer a sufficient volume of economic timber sales to purchasers in the Tongass has resulted in a virtual closing of the timber industry and the loss of more than 3,000 jobs. Even with congressional support, the Forest Service only offered 68 million board feet out of a target of 190 million board feet last year.

In the context of the current budget, I would hope the present administration is taking steps to correct this deficiency and get the timber sales program back on its feet before it is too late for the remaining sawmills that are left in Alaska, which are about four. I think it is correct to point out that in New York they cut more timber for firewood than we cut commercially in the State of Alaska.

Mr. Chairman.

The CHAIRMAN. Thank you.

Why do we not go ahead with the witnesses. If you will each take no more than 6 minutes and just give us the main points that you think we need to be aware of, starting with Deputy Secretary Steven Griles with the Department of the Interior. I gather you are accompanied by Lynn Scarlett, who is the Assistant Secretary for Policy, Management and Budget. So, please go right ahead, Steve.

**STATEMENT OF J. STEVEN GRILES, DEPUTY SECRETARY,
DEPARTMENT OF THE INTERIOR, ACCOMPANIED BY P. LYNN
SCARLETT, ASSISTANT SECRETARY FOR POLICY, MANAGE-
MENT AND BUDGET**

Mr. GRILES. Mr. Chairman, thank you. This is my first time since I was confirmed by the Senate, and I want to say to you it is a pleasure to be with you.

Let me just say from a personal viewpoint, I want to thank your committee staff director for the majority and the minority and the counsel for the majority and the minority for getting the rest of our people confirmed. We finally have everybody confirmed. Most have been sworn in. We still have one who will be sworn in next week. So, thank you for getting those people down to us.

Before we move into the details of the budget, Mr. Chairman, let me just offer a few personal observations.

The Department of the Interior has a huge impact on the lives of Americans. We manage one out of every five acres of land in this country. These lands include some of the most beautiful and pristine places on earth. We are entrusted with some of the most patriotic symbols of our nationhood, including the Statue of Liberty and Independence Hall. We provide approximately one-third of the Nation's domestic energy. We supply water that has made the arid West bloom. We serve visitors from around the world and take delight in finding recreation through nearly one-half billion visits to our lands every year.

We have more than 200,000 volunteers that assist us. The volunteer work force outnumbers our own employees almost three to one.

We collected last year \$11 billion in revenues from the lands and waters we manage, and that is more than \$1 million more than was appropriated by Congress.

We also shared \$1 billion with the States, our partners, in the onshore petroleum leasing program.

When the President directed we build our budget, it was based on several principles, and I would like to just mention those briefly to you. First, a new environmentalism through cooperative conservation partnerships. Second, improved management of Indian trust assets. Mr. Chairman, I want to come back specifically to that in a second. Third, improved management of public lands and waters. Fourth, advanced development of domestic energy. Fifth, improved classrooms and classroom performance of Indian students. And, finally, overall management for excellence through citizen governance.

Since September 11, Interior's employees have responded to the call for increased diligence and preparation in view of the changed world we face in the wake of those events. We put security measures in place in our most important national assets, our people, and our visitors. We have increased Park Police patrols in Washington and in New York and upgraded Park Police security equipment. We have increased guard services and protection for other important national assets such as the Statue of Liberty and the Liberty Bell. We have instituted around-the-clock security at key Bureau of Reclamation facilities, including the Hoover, Glen Canyon, Shasta, and Grand Cooley Dams.

Our budget request is \$10.3 billion in current appropriations. There is an additional \$270 million for government-wide accounting adjustments for retirement and health benefits.

But let me just talk for a second, Mr. Chairman, regarding the particular question you asked about trust. This is an area that the Secretary and I have spent a great deal of time on since I joined Interior in July. In the trust asset programs at the Department of the Interior, we have over 11 million acres held in trust for individual Indians and nearly 45 million acres held in trust for tribal governments. These lands produce income from about 100,000 active leases. We have currently about 225,000 open individual accounts and 1,400 tribal accounts.

We have a difficult and I will tell you a very complex challenge in front of us. These trust assets, going back to the 1870's, were divided up into allotments for individual Indians in the 1870's, in 80-acre allotments. Many of these allotments today, Mr. Chairman,

are owned in percentages that go out to 34 and 36 decimal points. When the Pentium 2 processor came out, sir, it only went to 24 decimal points, I have been told. The Department of the Interior is trying to manage lands that have such a small interest. It is very difficult to manage that, and we need your help. We need this committee's involvement, as well as the Committee on Indian Affairs, in how we move forward.

As to the computer system that is shut down, about 40 percent of the computers in the Department of the Interior are up and running. But I am happy to tell you today, Mr. Chairman, that last night I signed a letter to the Senate and House appropriators informing them that we were going to take estimated amounts of receipts to begin to pay the individual Indians a percentage of the monies that we know are in their individual accounts. Because the court has not allowed us to turn on the Minerals Management Service accounting system, we cannot know exactly how much each individual Indian is owed. So, we are going to use an estimate based on the previous 3 months, and we are going to make payments to them.

We cannot continue to allow the individual Indians not to get monies. There are bankruptcies that are occurring. They are not getting proper care, and it is important that we find a solution. I am proud to say that Neal McCaleb, the Assistant Secretary, has struggled very hard to find a solution, and Friday night he came up with this idea, and we implemented it yesterday. The checks should be flowing in the next couple of days to those individual Indians accounts.

The other area which is very important to Interior, as Senator Murkowski said, is energy. The Secretary and I have spent much time advancing the President's energy plan. Interior manages all the production from Federal lands, onshore and offshore. ANWR, of course, is a centerpiece of the President's policy, the coastal plan of the Arctic National Wildlife Refuge, in terms of opening up oil and gas development. Only a small fraction of the 19 million acres of the refuge would be opened, and then with restrictions that no more than 2,000 surface acres can be covered by production and support facilities. In 1998, USGS estimated that there were over 10.4 billion barrels of recoverable oil there.

The other aspect of our energy plan is renewables. Last November, we hosted with DOE a conference on renewables, an opportunity, we called it, to expand renewable energy on public lands. We brought together more than 200 individuals and government officials, renewable energy companies, and environmental leaders, to try to find a better way to focus on increasing wind, solar, and geothermal energy from our public lands. Interior currently produces 40 percent of the geothermal energy in this country from public lands.

In closing, let me just comment on one other issue that has continued to be an issue with us at Interior, and that is Klamath. We have faced a difficult situation this past year in the Klamath Basin. For the first time ever, the Department was forced to make no water available from Upper Klamath Lake to supply the farmers of the Klamath Project. This action shattered the lives of many of the farming community of the Klamath Basin.

Recently, the National Academy of Sciences released a draft report that concludes that there was no scientific foundation for maintaining higher water levels in the Upper Klamath Lake for the endangered sucker fish or for higher minimum flows in the Klamath River for the coho salmon.

Secretary Norton has directed the U.S. Fish and Wildlife Service Director and the Bureau of Reclamation Commissioner to evaluate these findings and report back to her by close of business on Friday to what we should do concerning how to deal with these issues that now are before us based on the National Academy of Sciences report.

The Federal Government cannot make decisions like those made this past year with regard to the Klamath Basin, decisions that affect the lives of so many good Americans, without a good scientific basis for those decisions. It is important that we have the best science. We must use the best science, and that is what we are striving for in the future at Interior.

Mr. Chairman, I would turn it over to Lynn Scarlett who is here. [The prepared statement of Mr. Griles follows:]

PREPARED STATEMENT OF J. STEVEN GRILES, DEPUTY SECRETARY,
DEPARTMENT OF THE INTERIOR

I am pleased to be here today with Lynn Scarlett, the Department's Assistant Secretary for Policy, Management and Budget, to talk about the fiscal year 2003 budget for the Department of the Interior.

The President's proposed \$10.6 billion funding for the Department of the Interior in fiscal year 2003 reflects his commitment to restoring natural areas, rebuilding parks and refuges, improving American Indian education and trust reform, and unleashing a citizen-centered, incentive-driven conservation ethic. The proposal is the largest Interior budget ever presented by a President. The budget includes \$663 million for National Park Service maintenance, to meet the President's commitment to reduce the NPS maintenance backlog, and a \$56.5 million increase for the operation and maintenance of the National Wildlife Refuge System. It also includes increases totaling \$83.6 million for trust reform activities in the Office of the Special Trustee and the Bureau of Indian Affairs.

Our proposed FY 2003 budget doubles BLM's renewable energy budget. It also includes a \$10.2 million increase for BLM energy-related activities, including Alaska North Slope oil and gas development outside of the Arctic National Wildlife Refuge (ANWR), to expedite the permitting and rights-of-way processes, increase the number of oil and gas lease sales, work to remove unnecessary barriers to both renewable and non-renewable energy production, and increase environmental inspections.

We are proud of this budget, and believe it represents a balanced approach to conservation and providing the energy needs of the nation. Overall, the President's 2003 budget increases spending for conservation activities in the Department. There are several exciting new conservation programs in this year's budget that Lynn Scarlett will touch on in her testimony today.

Since being confirmed last July, I have served the Secretary as her Chief Operating Officer at Interior. In that capacity, I have been involved with a number of pressing issues facing the Department that I would like to share with you today. Both the Secretary and I have spent more time over the last six months on the challenges related to the management of Indian trust assets than on any other issue before the Department. Secretary Norton is unable to appear before you today because she is preparing to appear in court tomorrow in the ongoing *Cobell v. Norton* litigation.

Last week, Secretary Norton testified before the House Resources Committee on this very complex and difficult issue. Trust asset management involves approximately 11 million acres held in trust or in restricted status for individual Indians and nearly 45 million acres held in trust for Tribes, a combined area the size of Maine, Massachusetts, Vermont, New Hampshire, Connecticut, Rhode Island, Delaware, Maryland, and the District of Columbia. This land produces income from more than 100,000 active leases for 350,000 individual Indian owners and 315 Tribal owners. Leasing and sales revenues of approximately \$300 million per year are distrib-

uted to more than 225,000 open Individual Indian Money (IIM) accounts and revenue of approximately \$800 million per year is distributed to the 1,400 Tribal accounts.

Secretary Norton laid out in her testimony the most pressing problems now facing us in this area. They are the lack of integration and centralization of trust management, the lack of a good strategic plan for remedying problems in trust management, the changing standard of trust management, the problem of fractionated heirship of individual Indian trust land, and our computer problems, both those related to software we had hoped would assist us in keeping track of trust activities, and our general Departmental information technology security issues related to Indian trust data. As you know, most of the Department's computer systems have been disconnected from the Internet because of Indian trust data security concerns. These are difficult issues. We have made strides over the past year in a number of areas, but there remains much to be done. Indian trust asset management now consumes much of the time and attention of the senior management team at Interior.

Assistant Secretary Scarlett's testimony points out that, under Secretary Norton's leadership, another goal very important to the Department right now is advancing the President's energy policy. I have also been spending a good part of my time on that issue. The need for a national energy policy becomes clear when you look at the numbers. According to the Energy Information Agency, over the next 20 years, U.S. natural gas consumption is projected to grow by more than 50 percent, while production, if it grows at the rate of the last 10 years, will grow by only 14 percent. Similarly, over the next 20 years, U.S. oil consumption is projected to grow by over 6 million barrels per day, while production, if it follows the pattern of the last 10 years, is expected to decline by 1.5 million barrels per day. U.S. energy production is not keeping up with our growing consumption, creating a rapidly increasing gap between domestic supply and demand.

As this Committee well knows, energy reserves contained in the lands and offshore areas managed by the Department of the Interior are an important source of potential energy production. The Department of the Interior manages energy production on all Federal lands, both onshore and the Outer Continental Shelf (OCS). These Federal lands provide nearly 30 percent of annual national energy production. Estimates suggest that these lands contain approximately 68 percent of all undiscovered U.S. oil resources and 74 percent of undiscovered natural gas resources. The Department also owns and operates hydropower facilities in the 17 western states. These facilities produce about 16 percent of all the hydropower in the United States.

The President's policy calls for increasing domestic energy production, seeks to improve the aging energy infrastructure network by creating a new high tech energy delivery network, and promotes energy conservation. It is important to point out that more than 50 percent of the President's plan focuses on energy efficiency, encouraging the development of fuel efficient vehicles and encouraging consumer conservation. The President's policy proposes new tax incentives to help increase the contribution that alternative and renewable energy can make to our nation's energy supply.

The President directed the Secretary of the Interior to work with Congress on legislation authorizing the leasing of oil and gas in that portion of the Arctic National Wildlife Refuge (ANWR) defined as the Coastal Plain in section 1002 of the Alaska National Interests Lands Conservation Act. The President's Policy emphasizes that Congress should require the use of the best available technology and require that energy production activities have no significant adverse impact to the environment in the ANWR 1002 area.

It is important to remember that the President is proposing to open a small fraction of the 19 million acres in ANWR for oil exploration. This is a fact that often gets overlooked. In addition, the House-passed energy bill includes a requirement that no more than 2,000 surface acres of the Coastal Plain of ANWR may be covered by production and support activities. To put this in context, the Bureau of Land Management has granted rights-of-way for wind farms on almost 3,200 acres of public land outside of Palm Springs, California. The Administration believes that oil and gas development can successfully coexist with wildlife in Alaska's Arctic region.

As most of you know by now, ANWR is located in the northeast corner of Alaska. The Refuge is about the size of South Carolina; however, the portion of the Refuge known as the 1002 Area is only about 6 percent of the total Refuge. The 1002 Area was excluded from wilderness designation and Congress specified that it be studied further through a comprehensive inventory of its fish and wildlife resources, and the potential for oil and gas production. Estimates of substantial resources in the 1002 Area based on nearby drilling results and seismic data have made it one of the most promising prospects for oil and natural gas in the United States.

In 1998, a USGS assessment of petroleum resources of the entire 1002 Area estimated the mean value of expected volume of technically recoverable oil beneath the 1002 area to be 10.4 billion barrels, with a 95 percent chance of 5.7 billion barrels and a 5 percent chance of 16.0 billion barrels. For comparison, the U.S. currently consumes about 7 billion barrels per year. Of this, the U.S. imports about 4 billion barrels and produces about 3 billion barrels. Congressional action would also open up Native-owned lands.

The Refuge provides a variety of arctic habitats supporting fish and wildlife species. The wildlife most associated with the 1002 Area is the Porcupine caribou herd, named after its wintering grounds along the Porcupine River of northwest Canada. Currently numbering nearly 130,000 caribou, the herd migrates each year across the Brooks Range to arrive in early summer on the North Slope's coastal plain in the 1002 Area and eastward into Canada.

Our support for enactment of authority to lease oil and gas resources in ANWR is a prime example of the Department's dual commitment to energy development and environmental conservation. The House-passed energy bill includes ANWR provisions that contain the most stringent environmental protection provisions ever placed on a domestic oil and gas program. We recognize that the ecological resources of the Refuge are unique and precious, and that we must respect and conserve this wealth for future generations of Americans. Because of advances in technology and in our enhanced understanding of the ecology, we believe we can develop ANWR's resources with very little long-term effect on its environment.

Secretary Norton and I have been actively carrying out many other parts of the President's energy policy. On November 28, 2001, Secretary Norton and the Department of Energy co-hosted a conference entitled "Opportunities to Expand Renewable Energy on Public Lands." The conference was a work session that brought together approximately 200 government officials, renewable energy industry and environmental leaders, and other citizens to focus on the best ways to increase wind, solar and geothermal production on public lands.

The Secretary made the following statement to the conference attendees:

Our shared mission is both simple and noble. We must explore ways to better capture the sun's light, the sky's winds, the land's bounty, and the earth's heat to provide energy security for America's families. Today we seek the best ideas for reducing delays and bottlenecks in producing renewable energy. This is part of the Interior Department's commitment to consult, cooperate and communicate-all in the service of conservation.

Interior produces approximately 40 percent of the nation's geothermal energy. Interior also uses renewable energy at Interior facilities. Interior has more than 600 solar-powered facilities, 40 solar hot water systems, 30 wind turbines, 15 geothermal heating and cooling systems, and 6 wind farms. Each year the department uses 200,000 gallons of biofuels in vehicle and marine fleets and has 1,200 alternative fuel vehicles.

We have other pressing issues before us that I know are of great concern to this Committee. Last April, for the first time ever, the Department announced that no water would be available from Upper Klamath Lake to supply the farmers of the Klamath Project. This was due to many factors, including an extreme drought, the requirements of the Endangered Species Act, and the rights of Tribes and other water users to the scarce water resources in the region. Reclamation's Klamath Project serves approximately 1,400 farms totaling some 210,000 acres. Farmers there grow a large variety of crops including barley, oats, wheat, potatoes, sugar beets and forage. According to Bureau of Reclamation data for the year 2000, approximately 110,000 acres were planted in forage; 57,000 acres in cereal crops (including barley, oats, and wheat); 16,000 acres in vegetables (including potatoes); 7,000 acres in miscellaneous field crops (including sugar beets); 298 acres in seed crops; and 227 acres in nursery crops.

This action taken by the Department greatly affected the lives of many in the farming community of the Klamath Basin. Late last July, the Department did release about 70,000 to 75,000 acre feet of water Upper Klamath Lake to assist farmers in the Klamath Basin Project in desperate need. We took this action to provide farmers water for their livestock, to provide some critical recharge for some wells, and perhaps save pastures, alfalfa and hay, or even row crops that had lost their well water supply. The Department was able to release that water because the Bureau of Reclamation determined that Upper Klamath Lake was at a higher level than projected.

We have continually stated that we are committed to working with all interested parties in order to find solutions that avoid a repeat of this situation this year and in the future. Recently, the National Academy of Sciences released a draft scientific

evaluation of the biological opinions on endangered and threatened fishes in the Klamath River Basin. The draft report concludes that there is no substantial scientific foundation at this time for maintaining higher water levels in Upper Klamath Lake for the endangered sucker populations or higher minimum flows in the Klamath River main stem for the threatened coho population. The draft report also found no substantial scientific evidence to support changes in the operating practices that have produced the levels in Upper Klamath Lake and the main-stem flows over the past 10 years.

On February 3, Secretary Norton directed the Directors of the U.S. Fish and Wildlife Service and the Bureau of Reclamation to evaluate the NAS findings and to report back to her by the end of this week. I am sure all of you would agree that the Federal government should not make decisions of this magnitude, that affect the lives of so many Americans, without a good sound scientific basis for those decisions. Not only do we risk needlessly hurting our fellow citizens, but we erode the confidence of the populace in general in our future decisions and actions.

I'd like to close with emphasizing to you again the commitment the Department has to working with you and with your constituents on the local issues of concern involving the Department of the Interior that face them every day. Budget initiatives like our Cooperative Conservation Initiative will fund on-the-ground stewardship projects across the Nation and stimulate innovative approaches to conservation. Our budget includes the Landowner Incentive programs that provide financial assistance to States and Tribes so that They can work with private landowners to facilitate private wildlife conservation efforts. Our Private Stewardship grants program directly assists landowners and groups engaged in voluntary conservation efforts for the benefit of federally listed, proposed, candidate, or other imperiled species.

We remain aware of the fact that the decisions we make at Interior can have dramatic impacts on American families, and we are determined to do whatever we can to take those impacts into consideration as we carry out our responsibilities under the law.

Thank you for giving me this opportunity to appear before the Committee today. Assistant Secretary Scarlett's testimony provides a more in-depth view of the Department's FY 2003 budget.

The CHAIRMAN. Ms. Scarlett, did you have a statement?

Ms. SCARLETT. I have a brief comment to supplement Steve's.

The CHAIRMAN. Go right ahead.

**STATEMENT OF P. LYNN SCARLETT, ASSISTANT SECRETARY—
POLICY, MANAGEMENT AND BUDGET, DEPARTMENT OF THE
INTERIOR**

Ms. SCARLETT. Thank you. Mr. Chairman, Senator Murkowski, members of the committee, I am delighted to join Steve here today and highlight a few of our budget elements.

I would like, in particular, to talk a little bit about our conservation initiatives that Steve touched upon. As Steve noted, our budget request increases spending for conservation activities, providing new opportunities, in particular, for partnerships in conservation.

Of particular note, is our Cooperative Conservation Initiative, which reflects the President's framework for a new environmentalism. The Cooperative Conservation Initiative will fund on-the-ground stewardship projects across the Nation and we believe stimulate cooperative approaches to conservation. It will leverage Federal funding and work in partnership with States, tribes, local communities, and individual citizens in ways that we think are consistent with the Land and Water Conservation Fund. The Department proposes \$100 million to promote these partnerships in conservation.

Our budget also continues two presidential initiatives begun last year, the Landowner Incentive program and Private Stewardship program. These programs also promote working with partners on

conservation issues. We appreciated your support last year for these programs. The budget includes \$60 million for these two programs, a \$10 million increase.

The budget continues strong funding to meet the President's commitment to clean up the maintenance backlog in parks. Our park budget includes \$633 million for this effort. In 2003, the Park Service will also improve facility management capability and accountability so that we engage in facilities maintenance in the most efficient way.

To improve our natural resource management in parks, our budget includes an increase of \$18 million for the Natural Resource Challenge.

I would also like to mention our endeavors in the wildlife refuges. In 1903 you may know that President Teddy Roosevelt established the first national wildlife refuge at Pelican Island, Florida. This means that the 100th anniversary of those wildlife refuges will occur next year. Our budget, therefore, commemorates this 100th anniversary event by requesting a \$56.5 million increase for the refuge system. This is an 18 percent boost in spending and represents the largest dollar increase ever requested in the history of the national wildlife refuge system.

Recognizing that another committee has jurisdiction over Indian Affairs, I would like to, nonetheless, highlight the budget request that focuses on educational needs of American Indians and Alaska Natives. Our budget continues a high level of funding for Indian school repair and replacement and includes an increase of \$19 million for school operations.

Though I have described a number of initiatives contained in this budget, our overall budget level is essentially the same as the current year's funding. Consequently, we have had to make a number of very difficult program choices and tradeoffs as we have prepared the budget for your consideration. We are working diligently to improve the quality, effectiveness, and efficiency of our services so that we can deliver better services with those same dollars.

I look forward to working with you and discussing the budget and thank you for the opportunity to be here today.

[The prepared statement of Ms. Scarlett follows:]

PREPARED STATEMENT OF P. LYNN SCARLETT, ASSISTANT SECRETARY—POLICY,
MANAGEMENT AND BUDGET, DEPARTMENT OF THE INTERIOR

I am pleased to be here today before the Committee on Energy and Natural Resources to present the fiscal year 2003 budget for the Department of the Interior. I appreciate the opportunity to highlight a number of important initiatives and to answer questions that you might have.

Before I move onto the details of the budget request, I'd like to offer some observations as to the breadth of the Department's responsibilities and the impact of our programs on the lives of Americans.

- We manage more than one of every five acres of land in this Nation. These lands include some of the most beautiful and pristine places on earth. We are entrusted with some of the most patriotic symbols of our Nationhood, including the Statue of Liberty in New York and Independence Hall, the home of the Liberty Bell in Philadelphia, Pennsylvania.
- We provide approximately one-third of the Nation's domestic energy. We supply the water that has made the arid West bloom, providing water to over 31 million people.
- We serve visitors from around the world who take delight and find recreation through nearly half-a-billion visits to our lands each year.

- Over 200,000 volunteers assist us, a volunteer workforce that outnumbers our own employees by nearly three to one.
- In the most recently completed fiscal year, we collected \$11 billion in revenue from the lands and waters we manage. This is \$1 billion more than we had appropriated to us. We also shared \$1 billion of that with the States, our partners in the onshore petroleum-leasing program.

With Secretary Norton's leadership we are putting these responsibilities in balance and we commit to:

- build a new environmentalism through cooperative conservation partnerships;
- improve our management of public lands and waters;
- advance the President's National energy policy;
- improve the lives of Native Americans; and
- manage for excellence through citizen-centered governance.

Secretary Norton has established an approach to citizen-centered government at the Department that is organized around her Four C's: conservation through consultation, cooperation, and communication. Empowerment of citizens to bring about this approach is the touchstone of all that we do on the land, and this approach is reflected in the budget that we present to you today.

As we began the process last June to build this budget, we were guided by President Bush's vision of a shared approach to conservation, and his commitments to restore our national parks, improve both the classrooms and the classroom performance of Indian students; and meet our environmental responsibilities in a manner that best reflects the innovative nature of our nation.

Our budget priorities were reshaped by the events of September 11th. Interior's employees have responded to the call to increase our vigilance and our preparedness for the changed world we face.

The Secretary is committed to managing well the resources entrusted to us in this budget. We are working diligently to improve the quality, effectiveness, and efficiency of the services we deliver and to enhance the accountability and transparency of the work we do with the resources of the American people. We have developed a plan for citizen-centered governance that builds on the President's management agenda, and our plan has been well received by both the Office of Management and Budget and the President's Management Council. It will ensure that we bring innovation, competitiveness, and accountability to all that we do.

BUDGET OVERVIEW

The Department of the Interior's 2003 budget request is \$10.6 billion in current appropriations, including \$270.5 million for a government-wide legislative proposal to shift to agencies the full cost of the CSRS pension system and the Federal employee health benefits program for current employees. Permanent funding that becomes available as a result of existing legislation without further action by the Congress will provide an additional \$2.6 billion, for a total 2003 Department budget of \$13.2 billion.

Excluding the pension and health benefits legislative proposal, the 2003 current appropriations request is \$10.3 billion, a net decrease of \$12.7 million from the amounts provided in the 2002 Interior and Related Agencies and Energy and Water Development Appropriations Acts.

For 2003, programs funded in the Interior and Related Agencies Appropriations Act are increased by \$20.5 million over the 2002 Act. The 2003 request is \$320.6 million above the 2002 President's budget request. Programs funded in the Energy and Water Development Appropriations Act in 2003 are decreased by \$33.1 million below the 2002 Act. The 2003 request is \$61.4 million above the 2002 President's budget request.

The 2003 budget proposal maintains a robust funding level compared to historic levels for the Department. The proposal is over 21 percent higher than the 2000 appropriation level of \$8.6 billion.

The budget request proposes funding increases for priority programs and initiatives, while discontinuing or reducing funding for lower priority projects funded in 2002. In addition, the 2003 budget reflects the Department's commitment to operate programs more effectively and efficiently, by proposing to absorb \$57.4 million in uncontrollable fixed cost increases and a \$20.6 million reduction in travel and transportation costs.

COOPERATIVE CONSERVATION INITIATIVE

If there is one item in this budget that deserves special attention, it is our Cooperative Conservation Initiative. It fully reflects the President's framework for a "new

environmentalism.” The Cooperative Conservation Initiative will fund on-the-ground stewardship projects across the Nation and stimulate innovative approaches to conservation. It will allow us to leverage Federal funding and to work in partnership with States, local governments, Tribes, and private citizens to give all stakeholders a greater role in how to protect the Nation’s great natural resources. It is a collaborative approach to tap the ingenuity, imagination, and innovative spirit of our people. It is an approach that is landscape-based, citizen-centered, and incentive-driven. In short, it is a new way of meeting our environmental responsibilities in partnership with our fellow Americans. The Department proposes \$100.0 million to promote partnerships in conservation.

The program will fund restoration, protection, and enhancement of natural areas through established programs and new pilot programs that feature creative approaches to conservation. These projects will be in keeping with the President’s commitment to a shared responsibility for conservation. One-half of the initiative, \$50.0 million, will be managed through the Land and Water Conservation Fund State Assistance program and will benefit State lands as well as adjacent lands. The balance of the initiative will be used for cost shared projects funded in the operating accounts of the Bureau of Land Management, Fish and Wildlife Service, and the National Park Service and will benefit Federal and adjacent lands. Benefits to State and Federal lands will complement the private lands conservation activities conducted with private stewardship funding.

LANDOWNER PARTNERSHIPS

The budget for the Fish and Wildlife Service also promotes working with partners on conservation issues by proposing to continue two Presidential initiatives, the Landowner Incentive and Private Stewardship programs. The budget request includes \$50.0 million, an increase of \$10.0 million over the 2002 level for grants to States for landowner incentives that protect and restore habitats on private lands that benefit species at risk. A model for this program is the Shortgrass/Black-tailed Prairie Dog Habitat incentive program, a new program piloted in Colorado in 2002. This program will provide financial assistance to landowners in four soil conservation districts to protect black-tailed prairie dogs, their habitat, and associated shortgrass prairie.

The budget includes \$10.0 million for the Private Stewardship grants program to directly assist landowners and groups engaged in voluntary conservation efforts for the benefit of federally listed, proposed, or candidate species. Technical and financial assistance to landowners will help them avoid harming imperiled species while improving habitat for native species.

OTHER CONSERVATION TOOLS

The 2003 budget proposes \$194.6 million for three other conservation programs managed by the Fish and Wildlife Service, including: \$91.0 million for the Cooperative Endangered Species Conservation Fund; \$43.6 million for the North American Wetlands Conservation Fund; and \$60.0 million for State and Tribal Wildlife grants. These programs that we propose to fund through the Land and Water Conservation Fund in 2003 magnify the benefits of Federal funding with matching efforts for conservation.

In 2003, State Assistance and Federal land acquisition programs funded through the Land and Water Conservation Fund build upon the President’s vision of cooperative conservation. The budget includes \$200.0 million for the State Assistance program, an increase of \$56.0 million over the 2002 level. A portion of this, \$50.0 million, will be used for the Cooperative Conservation Initiative to fund competitively awarded grants. The balance of \$150.0 million will fund grants to States for approved conservation and outdoor recreation plans, allocated based on a national formula established by law.

An additional \$204.1 million is requested for Federal land acquisition programs, including \$44.7 million for the Bureau of Land Management, \$70.4 million for the Fish and Wildlife Service, \$86.1 million for the National Park Service, and \$3.0 million for acquisition of lands in support of the Shivwits Indian Water Settlement Act of 1999. The request emphasizes the use of innovative alternatives to fee title purchase, such as conservation easements and land exchanges to make the most efficient use of this funding, promote cooperative alliances, and leave lands on State tax roles. In the Upper Snake/South Fork Snake River project in Idaho, the Bureau of Land Management is working with eight cooperators including Ducks Unlimited, The Nature Conservancy, and the Shoshone-Bannock Tribe to protect river corridors and habitat that supports bald eagles and cutthroat trout through conservation easements.

Together with the Forest Service's budget request, the 2003 budget will provide \$909.2 million for the Land and Water Conservation Fund programs, or \$911.1 million including the adjustment for pension and employee health benefits that is proposed.

MANAGING THE PARK MAINTENANCE BACKLOG

President Bush pledged to address the backlog of maintenance and repair in the national park system. Secretary Norton shares the President's commitment to maintaining park facilities to safeguard the visiting public and park employees, to preserve park resources for future generations, and to improve visitors' experiences. The 2003 budget includes \$663.0 million for facility maintenance and construction, including required planning and compliance work. Within this total there is an increase of \$25.0 million for cyclic maintenance to ensure that routine maintenance work is completed in a timely manner. The budget proposes an increase in facility repair and rehabilitation of \$17.6 million, which will focus on moving the National Park Service toward performance-based management of its facilities.

Within the increase for repair and rehabilitation, \$8.4 million will address the deferred maintenance and critical resource protection backlog. This increase will have resource protection benefits. In 2002, approximately one-fifth of the repair and rehabilitation program was devoted to resource protection. A comparable amount will be dedicated to this effort in 2003.

In addition to the request for annual appropriations, a significant amount of recreational demonstration fee receipts will be devoted to deferred maintenance projects. This program is now authorized through 2004. The 2003 budget proposes that the program be permanently authorized. This program allows Federal land managers to retain receipts to meet management goals and is an important tool in improving the quality of programs such as facility maintenance and visitor services. The Department expects to receive \$146.1 million through the program in 2003. The Administration expects to propose authorizing language shortly and asks that the Committee take action on the proposal this year.

NATURAL RESOURCE CHALLENGE

There are 385 National Park units that protect and preserve unique and important natural resources. The Natural Resource Challenge—a Presidential and Secretarial priority program, fosters the protection of these natural resources. An increase of \$18.0 million is requested for the fourth year of the NPS Natural Resource Challenge. This program will continue to strengthen natural resource management throughout the park system by protecting native species and habitats; monitoring the health of natural resources within the parks; eradicating exotic species; and sharing information about natural resources with the public.

Collaborative efforts with the U.S. Geological Survey and universities assist the parks in the assessment of natural resources and help to identify and alleviate potential threats to resources. Much of this increase, \$9.0 million will be accomplished through a partnership with the U.S. Geological Survey.

EVERGLADES

A recently signed agreement between President Bush and Governor Bush of Florida ensures that water will be available for the natural system in the Everglades, restoring the natural ecological systems. The 2003 budget proposes a total of \$96.0 million, including \$8.9 million that will support Department-wide efforts to implement the Comprehensive Everglades Restoration Plan. The Department will continue to work cooperatively with the Army Corps of Engineers to complete the modified water delivery project at Everglades National Park. The budget includes \$13.3 million for the project, a reduction of \$21.9 million from the 2002 levels, as a result of progress made toward completion of the project.

An additional \$20.0 million, an increase of \$5.0 million over the 2002 level, is requested to fund matching grants to the State of Florida that will be used to purchase important properties within the Everglades system. Reflecting the Secretary's efforts to better integrate science into land management, the budget proposes to consolidate funding for Everglades science in the U.S. Geological Survey. The 2003 Survey budget includes an increase of \$4.0 million for the Critical Ecosystem Studies Initiative (CESI), funds that were previously appropriated to the National Park Service, for planning, monitoring, assessing, and providing ongoing science support essential to the adaptive management of the Everglades restoration project.

PREPARING FOR THE NATIONAL WILDLIFE REFUGE CENTENNIAL

In 1903, President Teddy Roosevelt established the first National Wildlife Refuge at Pelican Island, Florida. Today Pelican Island National Wildlife Refuge is part of a 538-unit system that spans 95 million acres. This is a unique and diverse network of lands and water that provide habitat for migratory birds and other wildlife, sanctuary for endangered species, and nursery areas for fish. Refuges also provide opportunities for wildlife viewing, hunting, fishing, and environmental education for 39 million visitors a year.

Our budget commemorates the 100th anniversary of the refuge system by requesting a \$56.5 million increase for the national wildlife refuge system. This 18 percent increase in spending represents the largest dollar increase ever requested in the history of the National Wildlife Refuge system. Overall refuge operations funding will increase by \$25.8 million. A \$30.7 million increase for maintenance will address critical health, safety, and resource protection needs, as well as fund high priority activities that enhance visitor experiences. This historically high level of funding for operation and maintenance of the national wildlife refuge system includes \$5.0 million for the Cooperative Conservation Initiative.

ENDANGERED SPECIES CONSERVATION

The 2003 budget continues a partnership approach to endangered species conservation, including funding for grant programs that assist State and local communities in their conservation efforts to benefit federally listed, proposed, candidate, and other imperiled species. The budget includes \$91.0 million for the Cooperative Endangered Species Conservation Fund to assist States in acquiring lands essential for the recovery of species and to support development and implementation of habitat conservation plans. The budget proposed for Fish and Wildlife Service endangered species operations includes increases of \$5.9 million for conservation of candidate and listed species and to assist in meeting demands for inter-agency consultation, technical assistance, and assistance with habitat conservation planning.

HARNESSING OUR NATURAL RESOURCES

The Department's programs are key to addressing important energy supply issues and fostering a dynamic economy, while preserving and enhancing environmental quality. Energy projects on federally managed lands and offshore areas supply approximately one-third of the Nation's energy production. In support of the President's National Energy Policy, the budget includes increases of \$28.6 million for energy related activities in four bureaus. Increases in the Bureau of Land Management and Minerals Management Service will allow these agencies to eliminate delays and be more responsive to increasing demands for energy while increasing environmental oversight. In addition, funds will support investments in management systems that will allow these bureaus and stakeholders to more efficiently conduct business and improve compliance oversight.

The budget proposes an increase of \$10.2 million for Bureau of Land Management energy-related activities, including \$1.6 million to expand rights-of-way processing, \$1.0 million to conduct a study of oil and gas resources on public lands, \$1.5 million to provide oversight of oil and gas operations, and \$1.0 million to expedite permitting and increase responsiveness to stakeholders needs for post-lease actions. The increase for rights-of-way will allow the Bureau to process 6,900 cases in 2003, an increase of 900 or 15 percent over the 2002 level.

The President and the Secretary are committed to increasing domestic energy supplies, including oil and gas on Federal lands from a variety of sources in an environmentally acceptable manner, including oil and gas on Federal lands. The energy resources of the northeast corner and the rest of Alaska's North Slope are national assets that can contribute to the Nation's energy security. The 2003 budget includes an increase of \$3.0 million for activities on the North Slope. The increase will support planning for 2004 sales in the National Petroleum Reserve-Alaska and the Arctic National Wildlife Refuge. Congressional authorization will be required for a lease sale to be conducted in the Arctic Refuge. The budget assumes a lease sale in 2004 that will generate \$2.4 billion in anticipated bonus bids. Of this amount, the Federal government's \$1.2 billion share will be dedicated to research and development projects on solar power, wind energy, biomass power and fuels, geothermal energy, and other alternative energy technologies.

In November 2001, Secretary Norton and Secretary of Energy Spencer Abraham convened a renewable energy conference. This conference served as a catalyst for the Department's renewable energy programs. The 2003 budget more than doubles funding for renewable energy programs in the Bureau of Land Management. To ex-

pand opportunities for geothermal, hydropower, and wind energy production, the Bureau is requesting an increase of \$750,000.

Increases totaling \$2.7 million are requested by the U.S. Geological Survey, including \$500,000 to produce updated information on available geothermal resources. The Bureau of Indian Affairs is requesting an increase of \$1.7 million in its budget for energy programs to work in partnership with Indian organizations and Tribes.

LAND USE PLANNING

The 2003 budget proposes an increase of \$14.0 million for Bureau of Land Management land use planning. The land use planning process is the Bureau's primary tool for consensus building by involving the public in development of land management plans. This increase will allow the Bureau to accelerate development of 37 plans and initiate development of 12 plans. Land use plans guide land use and resource management decisions, and allow for public involvement in developing program goals for recreation, habitat conservation, energy and mineral extraction, livestock grazing, timber harvest, fire management, and community rights-of-way access.

The budget for the Minerals Management Service proposes a program increase of \$5.0 million in order to meet increased workload brought about by the demand for Gulf of Mexico outer continental shelf program services. These additional funds will ensure that leasing and regulatory programs in the Gulf of Mexico keep pace with public demand for energy, industry requests for processing permits, and the need to review plans and conduct inspections. The 2003 budget includes an increase of \$8.7 million to design and implement innovative business processes and advances in electronic technology and provide web-based, paperless transactions in the offshore program. The Bureau will also invest \$6.0 million to develop management systems that support taking Federal royalties on oil production in-kind, rather than in-value.

The U.S. Geological Survey's budget includes an increase of \$1.2 million to conduct estimates of undiscovered oil and natural gas resources on Federal lands in the continental United States, as required by the Energy Act of 2000. An additional \$1.0 million is requested to produce digital base maps in Alaska focused on potential lease areas of the National Petroleum Reserve—Alaska, and \$500,000 is requested to update the national geothermal resource assessment last published in 1979.

WILDLAND FIRE MANAGEMENT

A joint Interior, U.S. Forest Service National Fire Plan guides collaborative efforts to improve the effectiveness of the wildland fire program to better protect communities and the environment from wildfire devastation. The plan is guiding joint efforts to control fires when they are small, manage large-scale fires, reduce hazardous fuel loads, rehabilitate burned areas, and assist rural fire departments to protect their communities.

In 2001, the Department made significant progress in implementing the plan's recommendations and established an unprecedented level of cooperation with the Forest Service. The Department conducted an aggressive hiring program to staff essential firefighting positions; purchased necessary equipment; contracted aircraft; and repaired fire facilities. Additional funding was allocated to the agencies and awarded to rural and volunteer fire departments. Hazardous fuels treatment projects were selected and conducted, including projects treating approximately 164,000 acres in the wildland-urban interface.

In 2002, the Department and the Forest Service are working closely on a number of collaborative efforts including: the development of joint workload and performance measures to determine progress in meeting wildland fire management goals; an independent review of wildfire suppression costs and strategies; development of an implementation plan for the 10-Year Comprehensive Strategy; and other activities.

The budget continues robust funding for the Department's Wildland Fire Management program, requesting \$675.5 million for fire readiness and response, wildland firefighting, assistance to rural communities, and a comprehensive program to reduce fuels in the wildland urban interface. This budget carries forward the initiatives begun in 2001 and continued in 2002 to reduce the buildup of hazardous fuels, especially in the wildland-urban interface, and fully funds suppression based on the ten-year average.

BUREAU OF RECLAMATION

The Bureau of Reclamation is the largest supplier and manager of water in the 17 western States, delivering water to one of every five western farmers and irrigat-

ing 10 million acres that produce 60 percent of the vegetables grown in the United States. The Bureau is also the largest producer of hydroelectric power in the West, providing electricity to 14 million people. The 2003 budget includes \$81.0 million for the Safety of Dams program, an increase of \$11.0 million to continue modification work on dams and ensure the safety of the public downstream while providing continued water and power benefits. The 2003 budget includes \$33.0 million for the second year of the Animas-LaPlata project, an increase of \$17.0 million over the 2002 level. The budget also includes a request of \$15.0 million for the California Bay-Delta restoration project.

HOMELAND SECURITY

In the wake of the events of September 11, we responded with assistance to the rescue and recovery efforts. We also put in place security measures to protect our most important national assets, our visitors, and our employees. We increased park police patrols in Washington, D.C., and New York and upgraded park policy security equipment; increased guard service and protection for important national icons such as the Liberty Bell and St. Louis Arch; and instituted around-the-clock security at key Reclamation facilities such as Hoover, Glen Canyon, Shasta, and Grand Coulee Dams. The 2003 budget request includes \$88.8 million to continue enhanced security measures at approximately the same level funded in 2002. Our 2003 request includes detail on these security measures, including \$23.7 million for the Park Service to begin construction of enhanced security systems at the Washington Monument and the Lincoln and Jefferson Memorials.

OFFICE OF INSULAR AFFAIRS

The Office of Insular Affairs assists Territories and Freely Associated States by providing financial and technical assistance. The 2003 budget proposal for Insular Affairs continues to provide mandatory funding to Guam and the CNMI for impact of Compact assistance. A total of \$4.6 million in mandatory Covenant grant funding will be allocated to Guam and \$840,000 will be provided to CNMI for this purpose in 2003. An increase of \$750,000 is requested to provide enhanced oversight of Compact of Free Association financial assistance. Renewed financial assistance for two of the three Freely Associated States is currently being negotiated; improved oversight and accountability are key goals.

TRUST PROGRAMS

Recognizing that another committee has jurisdiction over Indian Affairs, I'd like to highlight two aspects of the budget request that focus on the needs of American Indians and Alaska Natives: trust programs and education. Managing Indian trust funds and trust resources is a solemn obligation of the Federal government, and one of the Department's greatest challenges. Since taking office in January 2001, Secretary Norton has moved on several fronts to help improve Indian trust management. In July 2001, the Secretary established the Office of Historical Trust Accounting to provide focused efforts to produce a historical accounting for individual Indian allottees. In November 2001, the Secretary announced the outline of a proposal to reorganize and consolidate Indian trust management functions into a separate organization. The goal of the proposal is to improve management of trust assets by creating clear lines of authority for trust reform and trust operations. The Department is engaged in consultation with Tribes and individuals on the reorganization proposal. We will continue discussions with Congress concerning the results of the ongoing consultation and the proposed reorganization.

Our budget request contains a major boost in spending for Indian trust reform and trust related programs, a nearly \$84 million increase, the largest increase in the history of trust reform. These additional funds are necessary to address the long overdue changes that the Secretary is committed to making in the Indian trust program.

The \$48.8 million increase requested for the Office of the Special Trustee is a 44 percent increase above the 2002 level. The Special Trustee allocates funds to the Bureau of Indian Affairs for trust reform efforts they carry out, to the Office of Hearings and Appeals for adjudication of probates involving ownership of Indian lands, and to the Office of Historical Trust Accounting. The 2003 request will allow continuation of trust operations improvements already implemented, such as the trust fund accounting system, allow the Bureau and Office of Hearings and Appeals to make progress on reducing probate backlogs, improve risk management activities and oversight of trust and trust-related activities, and undertake other trust reform initiatives.

The Special Trustee's budget includes \$8.0 million for the Indian Land Consolidation program. This program prevents further fractionation of Indian trust allotments by consolidating highly fractionated interests through purchase from willing sellers. The decreased fractionation aids trust reform by decreasing the number of trust asset management transactions, decreasing the number of interests subject to probate, and returning land to the control of the Tribes.

The budget for the Bureau of Indian Affairs includes \$34.8 million in increases to improve its performance of trust services programs. This includes \$20.3 million in trust services and natural resource programs and \$14.5 million for other areas including tribal courts, social services and information resources management.

INDIAN EDUCATION

The Secretary is committed to the President's promise to improve education in America and "leave no child behind." The Bureau of Indian Affairs has a special, historic responsibility for educating Indian children. The Bureau manages 185 elementary and secondary schools in Indian Country that provide educational services to 48,000 students. Many schools are located in isolated, remote, rural communities, posing challenges and requiring greater operational costs than those typically facing public school districts.

The President's education plan promotes flexibility and local control of schools. The Department's 2003 budget request encourages Tribes to assume management of their schools or enter into private partnerships to manage the schools. This privatization effort is the centerpiece of the Administration's initiative to improve the performance of the lowest-performing schools. The request includes \$8.0 million to address costs inherent in the out-sourcing of schools, such as administrative cost grants and displacement of teachers. An additional \$2.0 million for student transportation and \$1.9 million for facilities will be available to improve operational problems that might be a disincentive for Tribes wishing to assume school management. The 2003 budget also includes a \$5.8 million increase for teacher pay.

In his State of the Union Address, the President underscored the importance of early childhood development programs. The budget includes an increase of \$3.0 million to expand the successful early childhood education program, Family and Child Education program. This increase will allow the Bureau to expand the program to over one-quarter of the 146 schools that serve elementary students. This program promotes greater involvement by parents in the early, critical stages of their children's education, and results in improved adult literacy, and improved parenting skills that help improve children's readiness for school.

The 2003 budget for education construction continues the President's initiative to repair and replace unsafe schools. Funding in 2003 is maintained at the 2002 level, \$292.7 million, which will fund six replacement school projects and address repair and rehabilitation projects in the backlog. The goal is to fulfill the President's promise to eliminate the school repair and maintenance backlog in 2006.

UNCONTROLLABLE AND TRAVEL COSTS

The Department's budget includes \$86.9 million in fixed cost increases; an additional \$57.4 million in fixed costs will be absorbed by focusing resources on the highest priorities as well as increased administrative and program efficiencies. The budget also assumes Department-wide savings of \$20.6 million in travel and transportation costs, in anticipation of reduced expenses in 2003 due to increased teleconferencing, greater use of central meeting locations, and reductions in employee relocations.

MANAGEMENT EXCELLENCE

The Secretary's management strategy is an integral component of the 2003 budget, implementing the President's five government-wide initiatives for strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration. The Department is undertaking efforts that will improve citizen service through achievable results in 2003, including the following examples:

- The Department is developing comprehensive workforce plans to guide staffing, training, and succession management and to better manage a workforce that is facing a loss of experience. Workforce plans will help to assure that positions are staffed with appropriate skills and that programs are in place for employee retention and reward.
- To improve service delivery and effective use of resources, the Department is reviewing the potential to restructure process-oriented aspects of human re-

sources operations, information technology support, and acquisition management and contract management.

- Interior will meet 2002 and 2003 targets to review commercial activities performed by Federal employees, for a determination as to whether activities should be performed in-house or by the private sector, as required by the Federal Activities Inventory Reform Act.
- Interior is developing a new strategic plan for 2003 that will be released in spring 2002. In order to improve the linkage of budget and performance results, the Department is using the Bureau of Land Management's activity based costing system as a benchmark for the development of comparable systems in other bureaus. Through activity based costing, managers can better understand program costs and citizens can get answers to questions such as, "How much does it cost to run a visitor's center."
- The Bureau of Land Management will improve citizen service by expanding "Service First," working with the U.S. Forest Service to provide efficient, streamlined interagency cooperation in public lands management. The Department is also exploring opportunities for expanding this program to include other Interior agencies.
- The National Park Service will continue management reforms to assess resource and facility conditions, measure performance in improving conditions, and target funds at top priority needs.

CONCLUSION

In conclusion, the 2003 budget provides strong support for Interior's programs and for the approximately 70,000 employees that carry out our mission. Further, it provides expanded opportunities to partner with others and supports the President's vision of a shared approach to conservation and the Secretary's Four C's.

I recently visited the John Heinz National Wildlife Refuge in Pennsylvania with the Secretary. There we observed first-hand the power of partnerships. Dating back to the 1950's, the citizens of Philadelphia have been the driving force behind establishment and expansion of the refuge, creation of an environmental education center, and restoration of wildlife and habitats. This community turned out to welcome us and celebrate their excitement at the results we have achieved with our partnership efforts. In the midst of some of Philadelphia's most developed areas, we witnessed the ability of local citizens to bring about real change. Our Cooperative Conservation Initiative will use government resources to remove barriers to citizen participation and give citizens a greater role in conservation. In addition, the Department will reap the benefits of the collaborative process and the innovation and creativity of the States, Tribes, local communities, and citizens that partner with us.

This concludes my overview of the 2003 budget proposal for the Department of the Interior and my written statement. I will be happy to answer any questions that you may have.

The CHAIRMAN. Thank you very much.

Let me go ahead with testimony from Mark Rey, who is the Under Secretary of Agriculture for Natural Resources and Environment in the Department of Agriculture, a very familiar face around this committee. We are glad to have you here as a witness. Go right ahead.

STATEMENT OF MARK REY, UNDER SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT, DEPARTMENT OF AGRICULTURE

Mr. REY. Thank you. Chairman Bingaman, Senator Murkowski, thank you for the opportunity to discuss the President's fiscal year 2003 budget for the Forest Service. I am pleased to be here today with Forest Service Associate Chief Sally Collins on my left. This being my first appearance before this committee since my confirmation, let me say it is a great honor to be back. However, I am confident that I will come to find it significantly more comfortable when I was on your side of the dais.

Chief Dale Bosworth was unable to be here today. He had a prior commitment to represent the Forest Service at the Winter Olym-

pics. He wanted me to tell you how greatly he regrets not being here. Since he told me that by phone, I was unable to determine whether he was smiling.

[Laughter.]

Senator MURKOWSKI. I do not know if we will accept that as a reasonable excuse or not.

[Laughter.]

Senator MURKOWSKI. I mean, you and I are here.

Mr. REY. He used the reverse Nuremberg defense. He is going to claim that he was bound by his superiors.

Recognizing that the time of the committee is limited, I will summarize and request that my full testimony be entered into the record.

The fiscal year 2003 President's budget request for the Forest Service for all appropriations totals \$4.9 billion. The budget underscores the Forest Service as a science-based organization by placing emphasis first on protecting the public, employees, property, and resources; second, providing benefits to communities; third, improving forest and rangeland health; and fourth, meeting the growing demands for goods, services, and amenities by the public.

Chief Bosworth and I intend to focus a great deal of attention on reestablishing a bias in favor of accomplishing the work of the agency. What is commonly referred to as gridlock or analysis paralysis is directly affecting the ability of the agency to protect communities from catastrophic wildfires, provide the communities with a sustainable flow of goods and services, and directly serve the public that uses and enjoys the national forests.

The President's budget and USDA's efforts reflect a tangible first step in this direction. The budget includes a continuation of stewardship contracting, expedited consultations for endangered species reviews, and several legislative proposals that I hope we can pursue together.

The agency will continue to concentrate on the restoration of ecosystems to fire-adapted conditions. Our primary focus will be on reducing the number of communities at extreme risk of loss from wildland fire and increasing the proportion of forestland restored to conditions where fire regimes are within an historic range.

The Forest Service and the Department of the Interior are in the second year of implementing the National Fire Plan, a plan to which this committee contributed a great deal. Significant headway was made in fiscal year 2001 to enhance tracking and reporting mechanisms to provide accountability as accomplishments are made in firefighting, rehabilitation and restoration, hazardous fuels reduction, community assistance, and research. Together with the Department of the Interior, the President's budget requests over \$2.1 billion for National Fire Plan programs to protect communities from wildland fire and restore fire-adapted ecosystems.

The Forest Service also plays a key role in developing and maintaining benefits to communities by providing natural resource based opportunities within desired sustainable levels for a variety of uses, values, products, and services. To this end, the fiscal year 2003 budget provides an increase of \$10 million within the forest stewardship program for a small diameter and underutilized wood biomass emphasis to foster enhanced management and use of these

resources. Funds are also included for research on the use of small diameter trees for biobased products and bioenergy. Legislation is proposed to provide for local preference for procurement across all Forest Service programs.

These are a few of the highlights of the budget, and in concluding my testimony, I would be happy to answer any questions that you might have. Thank you.

[The prepared statement of Mr. Rey follows:]

PREPARED STATEMENT OF MARK REY, UNDER SECRETARY FOR NATURAL RESOURCES
AND ENVIRONMENT, DEPARTMENT OF AGRICULTURE

Chairman Bingaman, Senator Murkowski, Senator Craig, Senator Wyden, and members of the Committee, thank you for the opportunity to discuss the President's Fiscal Year 2003 Budget for the Forest Service. I am pleased to be here today with Forest Service Associate Chief, Sally Collins. This being my first appearance before this Committee since my confirmation, let me say that it is a great privilege to be here today. Let me add it was significantly more comfortable sitting up there than coming down here to answer your questions.

Chief Dale Bosworth was unable to be here today. He had a prior commitment to which he had to adhere, that being to represent the Forest Service at the Winter Olympics in Salt Lake City. He wanted me to tell you that he greatly regrets not being here today. Since he told me that by phone, I was unable to determine if he said that with a smile or not.

OVERVIEW

In my brief testimony today, I would like to discuss how the FY 2003 President's Budget will allow Forest Service programs to make tangible contributions towards sustainable resource management and discuss some of the significant issues on which we look forward to working with the Committee and the Congress over the next few months.

The FY 2003 President's Budget request for the Forest Service for all appropriations totals almost \$4.9 billion. Along with the Administration's emphasis on efficiency and streamlining, the budget underscores the Forest Service as a science-based organization by placing emphasis on: (1) protecting the public, employees, property, and resources; (2) providing benefits to communities; (3) improving forest and rangeland health; and (4) meeting the growing recreation demands for goods, services, and amenities by the public. To ensure that the public gets the most value for their tax dollars, the Forest Service will become more efficient and streamline to increase funding at the field level; continue to improve agency accountability; and address the issue of "gridlock" that is preventing the prompt execution of projects on the ground. The Budget includes full funding of the Land and Water Conservation Fund (LWCF) and reflects increases related to the National Energy Policy, and continues the Administration's commitment to the National Fire Plan.

PUBLIC AND EMPLOYEE SAFETY

Before focusing on any specific program areas, I want to emphasize that the safety of agency employees and the public is one of the highest priorities for the Forest Service. In particular, the agency must take all action possible to prevent tragedies such as the Thirtymile incident last summer where four firefighters died. The Forest Service will ensure that proposed changes in management, policies, training, and operations are made to improve safety for the public and all employees, especially with respect to firefighter safety. The agency must also work to reduce risks to life, property, and ecosystems from high-intensity wildland fires within and adjacent to communities.

GRIDLOCK AND ANALYSIS PARALYSIS

Chief Bosworth and I intend to focus a great deal of attention on reestablishing a bias for accomplishing the work of the agency. What is commonly referred to as "gridlock" or "analysis paralysis" is directly affecting the ability of the agency to protect communities from catastrophic wildfire, provide communities a sustainable flow of forest products, and directly serve the public that uses and enjoys national forest lands.

The President's Budget and USDA's efforts reflect a tangible first step in reducing the gridlock associated with much of natural resource management today. It in-

cludes continuation of stewardship contracting, expedited consultations for endangered species, and the legislative proposals I will touch on shortly. I renew my offer to work with you to find a way to make Forest Service land management decisions in an effective, efficient, and timely manner.

NATIONAL FIRE PLAN—PROTECTING PROPERTY AND RESOURCES

The agency will concentrate on the restoration of ecosystems to fire adapted conditions. Rural residents and communities will be equipped with a variety of tools to reduce the likelihood of loss from wildland fire. The primary focus will be on reducing the number of communities at extreme risk of loss from wildland fire and increasing the proportion of forestland restored to conditions where fire regimes are within a historical range. This effort will be accomplished in cooperation with the Department of the Interior (DOI) and other partners and concentrate on restoring ecosystems to fire-tolerant conditions and protecting communities.

The Forest Service Preparedness Program, in cooperation with DOI's program and those of many State and local fire departments, will provide the resources and planning needed to protect communities and ecosystems from wildland fire. The Hazardous Fuel Program, in conjunction with DOI's program, will collaborate with State and local communities to focus treatments in areas of greatest need of community protection and ecosystem restoration. The FY 2003 Budget requests \$235 million for the Hazardous Fuels program, and increase in the program of about \$17 million. Seventy percent of these funds are targeted for the wildland-urban interface. Funding for rehabilitation and restoration, along with Burned Area Emergency, will protect communities and watersheds from post-fire damage, and help burned areas recover from fire damage. The Forest Service Research and Development Staff, along with the DOI-Forest Service Joint Fire Science Program, are focusing efforts on fuels reduction opportunities, including: (1) prioritizing areas for treatment; (2) determining impacts of treatments on wildlife, fish, and riparian areas; and (3) developing new uses for forest undergrowth and small diameter trees. The Budget provides resources to State and local communities to establish a truly comprehensive wildland fire management policy across all ownership boundaries. It provides the resources to increase the firefighting capability and planning of State and local fire agencies, and to reduce hazardous fuel on non-Federal land. Finally, the fireplain easements program will enable the Forest Service to work with States to identify alternatives in areas where potential fire suppression expenditures exceed the estimated value of private property.

The USDA Forest Service and the Department of the Interior are in the second year of implementing the National Fire Plan. Significant headway was made in FY 2001 to enhance tracking and reporting mechanisms to provide accountability as accomplishments are made in firefighting, rehabilitation and restoration, hazardous fuels reduction, community assistance and research.

Together with the Department of the Interior, the President's Budget requests over \$2.1 billion for National Fire Plan programs to protect communities from wildland fire and restore fire adapted ecosystems.

BENEFITS TO COMMUNITIES

The Forest Service plays a key role in developing and maintaining benefits to communities by providing natural resource-based opportunities within desired sustainable levels for a variety of uses, values, products, and services. The type of opportunities the agency will engage in will be based on local needs and interests while remaining consistent with the agency's mission and priorities. This can include revitalizing and maintaining local economies through promoting partnerships in recreation and tourism; increased and sustainable availability of a variety of forest products and increased local contracting opportunities in implementing forest management projects; reducing risks to communities from severe wildland fires through hazardous fuel reduction and fire prevention activities and education; and providing a transportation system that facilitates local travel.

The FY 2003 Budget provides an increase of \$10 million within the Forest Stewardship program for a small diameter and underutilized wood biomass emphasis to foster enhanced management and use of these resources on private lands. Funds are also included for research on the use of small diameter trees for biobased products and bioenergy.

FOREST AND RANGELAND HEALTH

Keeping watersheds in good condition and restoring them where necessary are fundamental to the stewardship of the land and natural resources. The agency will focus efforts and move ahead on watershed restoration consistent with the agency's

national goal to improve and protect watershed conditions to provide the water quality and quantity necessary to support ecological functions and beneficial water uses.

Invasive insects, diseases and plants threaten the integrity and viability of forest and rangeland ecosystems and cause billions of dollars of damage annually from losses due to tree mortality, impaired rangeland conditions, and increased susceptibility to high-intensity wildland fires. The Forest Service will work to protect the Nation's forests and grasslands from invasive insect, pathogen and plant species in active partnership with Federal and State agencies, Tribal governments, and municipal and nonprofit organizations. The President's Budget requests over \$83.6 million to do so.

In each of these areas, research is the key to sustaining our forest and rangeland productivity and health while addressing natural resource needs.

The Budget also includes \$15 million to transfer to the Fish and Wildlife Service (FWS) and the National Marine Fisheries Service (NMFS) to help expedite Endangered Species Act (ESA) Section 7 consultation. The \$15 million is roughly enough to have one FWS or NMFS person per forest available to respond to the on-going agency projects. This will promote both available personnel to review project proposals under ESA Section 7, as well as ensuring increased familiarity and understanding on the part of the FWS and NMFS staff as a consequence of their continuing involvement with the USDA projects.

RECREATION

Recreation is the fastest growing use on the national forests and grasslands and how most Americans come into contact with the Forest Service. The agency's recreation framework is being implemented through five primary activities: (1) operating developed sites; (2) managing general forest areas; (3) protecting cultural resources and wilderness; (4) providing interpretation and education; and (5) administering recreation special use authorizations. The agency will focus on a measurable improvement in customer satisfaction and an increase in documented contributions to community economies, primarily through strategic business delivery partnerships. The Budget calls for \$264 million for recreation in FY 2003.

The Forest Service is operating the Recreation Fee Demonstration Program to test the collection, retention, and reinvestment of new recreation admission and user fees. Proposed legislation would make permanent the current demonstration program and would authorize the Forest Service to retain and use recreation fees collected under the program.

FUNDS TO THE GROUND—ACCOMPLISHING THE WORK OF THE FOREST SERVICE

President Bush has called for a government that focuses on priorities and does them well. The President's Management Agenda contains five government-wide and nine agency-specific goals to improve federal management and deliver results that matter to the American people.

The Forest Service fully embraces the goals of the President's Management Agenda. The agency is committed to increasing available funds at the field level, shrinking non-discretionary cost centers at all levels of the organization, and reinstituting a firm bias for accomplishing the on-the-ground work of the Forest Service. To this end, the agency: (1) has established targets for increased contracting in key on-the-ground program areas; (2) is finalizing a workforce restructuring plan that will reduce and realign headquarters and regional personnel to increase resources at field locations; (3) has completed an exhaustive review of the headquarters budget; and (4) Established FY 2005 targets to reduce indirect expenses by one-half its FY 2002 level (to approximately 10% of total). This will increase funds available for challenge cost-share from 2% to 4% of the operating program. In order to maximize fund availability at the field level, the Forest Service has implemented firm funding ceilings for the Washington Office, and intends to reduce overall Washington Office funding to no more than 7.6 percent of the total agency budget by the end of FY 2003. Additionally, firm principles for management of the agency budget have been established that eliminate the "national commitments" method of holding funds off the top for later reallocation.

ACCOUNTABILITY

The Forest Service recognizes it cannot provide credible natural resource management without effective financial and performance management. The agency continues its emphasis on improving the quality of its financial systems and performance reporting processes. A key aspect of improved performance accountability involves providing field units with the opportunity to influence the budgets they receive. The Forest Service formulated input to the FY 2003 President's Budget using a new

budget formulation process that provided local units the opportunity to develop budget requests at the local level.

The Forest Service has operated a fully compliant financial system for more than two years, and continues to implement actions that improve financial accountability. The Department is working closely with the Forest Service to promote agency efforts to provide high quality accounting information. In addition, the Department of Agriculture and the Forest Service continue to move forward in efforts to obtain a "clean audit opinion." Essential to this goal are effective cash reconciliation and property management programs. The Forest Service has improved the agency's accountability by directly linking the accuracy of accounting records to reconciliation processes and by committing an agency-wide team effort to ensure property records are adequate to document the approximately \$4 billion inventory of assets.

LEGISLATIVE PROPOSALS

Several legislative proposals of the Administration will include making the Recreation Fee Demonstration Program permanent; revising fee schedules for ski resorts; increasing competitive bidding on timber sales; and "charter forests," which will take innovative approaches to natural resources management. I look forward to working with the Committee to develop these proposals on a bi-partisan basis.

CONCLUSION

In conclusion, Mr. Chairman, the President's FY 2003 Budget demonstrates the commitment of the Forest Service to accountability through results. The Budget includes funding priorities for the National Fire Plan and wildland fire management; research as the basis of scientifically sound resource decision-making; forest health; land acquisition; recreation; and minerals management, especially projects related to the National Energy Policy. The President's Management Agenda and Forest Service initiatives will examine opportunities for restructuring the Forest Service by reducing personnel at the national and regional level and redirecting them to the forest level. In addition, financial initiatives will focus on reducing indirect costs and streamlining accounting practices to reduce expenditures. Competitive outsourcing of commercial activities will continue to increase.

This concludes my testimony. I would be happy to answer any questions that you may have.

The CHAIRMAN. Thank you very much. I appreciate that testimony.

Let us go right to the Chief Financial Officer of the Department of Energy, Mr. Carnes. Why don't you go right ahead. Thank you for being here.

STATEMENT OF BRUCE CARNES, CHIEF FINANCIAL OFFICER, DEPARTMENT OF ENERGY

Mr. CARNES. Thank you very much, Mr. Chairman, Senator Murkowski, members of the committee. I appreciate the opportunity to discuss the Energy Department's 2003 budget submission.

Our budget totals \$21.9 billion, an increase of nearly \$600 million from last year. And if you discount the effect of the fiscal year 2002 supplemental of \$370 million, the year-to-year increase is nearly \$1 billion over 2002, or about 5 percent. This is the largest amount ever requested for the Department. It is both a bigger budget and a budget that emphasizes performance and focused funding priorities.

Secretary Abraham has made it clear DOE has one mission, national security, which includes advancing our Nation's energy security. He has directed that programmatic priorities be realigned to tie to this overarching mission.

To ensure program activities adhere to our mission, Deputy Secretary Blake is conducting a strategic management review of all program activities, including those of the national laboratories. Program offices submit their highest priority objectives and related

performance measures annually to the Deputy Secretary. This information is tracked and used to identify issues that may impede the achievement of mission objectives.

The Deputy Secretary is also completing benchmarking for our science labs to ensure that they operate efficiently and evaluate whether current DOE requirements add value and are consistent with those of other Federal agencies. This budget marks the beginning of this realignment of DOE's program activities.

The budget also begins to integrate performance measurement into funding requests. This year, as part of an overall government-wide pilot, R&D criteria were set to evaluate funding for energy efficiency and renewable energy applied research activities. After further refinement, this approach will be used to evaluate R&D throughout DOE and the Government.

The Department is also implementing 5-year planning for all of its program activities which will be reflected in our next year's submission. With regard to the details of this budget, the largest increase is in national security programs. At \$8 billion, the National Nuclear Security Administration program request is 5.7 percent over last year's. Funding reflects recommendations of the nuclear posture review with regard to our stockpile stewardship program and significantly increases defense nonproliferation programs in line with the National Security Council review.

The \$2.4 billion request for energy programs focuses Federal investment on future energy solutions as recommended by the President's National Energy Policy, and it targets R&D resources where our investment can make a difference.

The fiscal year 2003 budget emphasizes the next generation of energy technologies, particularly hydrogen, high-temperature superconductivity, and clean coal. We continue to provide benefits through the weatherization assistance program and maintain a diversity of energy options that includes bringing new nuclear powerplants on-line by 2010.

At \$3.3 billion, the science budget maintains core scientific facilities and major construction projects, increases operating time for the users of our facilities, and targets emerging areas of exploration such as nanotechnology and microbial science.

The \$6.7 billion request for environmental management reflects a dramatic new way to meet our cleanup objectives resulting from Secretary Abraham's top-to-bottom program review.

The civilian nuclear waste management budget supports license application activities if the Yucca Mountain site is recommended and approved as a long-term nuclear waste repository.

Mr. Chairman, this concludes my summary comments, and I would be happy to take any of your questions.

[The prepared statement of Mr. Carnes follows:]

PREPARED STATEMENT OF BRUCE CARNES, CHIEF FINANCIAL OFFICER,
DEPARTMENT OF ENERGY

Mr. Chairman and Members of the Committee, I am pleased to be here today to discuss the FY 2003 budget submission for the Department of Energy (DOE). On September 11th our Nation changed as did our national security challenges. The Department of Energy's \$21.9 billion budget responds to that change in our focus as an agency and in the way we do business. This budget meets these challenges through investment in our national defense and in an important component of that, our Nation's energy security.

REFOCUSING OUR MISSIONS AND NATIONAL PRIORITIES

Shortly after the September 11th attacks, Secretary Abraham, speaking to Department of Energy managers, laid out new priorities for the agency. These priorities center on our main overarching mission—national security.

Secretary Abraham outlined a plan to review DOE's programs to bring our national security priorities back into focus. They include:

- certifying the safety and reliability of the nuclear stockpile;
- ensuring that R&D and production plans support the Administration's nuclear strategy;
- resolving the threat of weapons of mass destruction;
- providing safe, efficient and effective nuclear propulsion for the Navy;
- implementing the President's National Energy Policy;
- directing R&D budgets to innovative new ideas while ensuring application of mature technologies;
- exploring new energy sources with dramatic environmental benefits; and
- supporting Homeland Defense through a focus on the threat of weapons of mass destruction posed by terrorist groups or nation states.

National security concerns clearly drive the programs of the National Nuclear Security Administration and Other Defense programs but it is also a key component of our energy, science and environmental programs. Energy security is national security. Failure to meet increasing energy demand with increased energy supplies, and vulnerability to disruptions from natural or malevolent causes could threaten our Nation's economic prosperity, alter the way we live our lives, and threaten our national security. Our science research serves national security in an important way—furthering cutting edge knowledge to continue U.S. technological strength and offer breakthrough solutions that achieve national objectives such as energy independence and climate change mitigation.

As part of the plan outlined by the Secretary, the Department's Energy and Science programs will establish their highest research priorities to focus on our overarching mission. Energy programs will; direct research and development of new ideas that need encouragement; ensure greater application of mature energy technologies; and implement the President's National Energy Policy to increase domestic production, revolutionize our approach to energy efficiency, and identify a wider array of energy sources and types.

In FY 2003, the Department's nearly \$2.4 billion request for energy programs is driven by the President's National Energy Policy. Since the announcement of the policy we have:

- Ensured that our Strategic Petroleum Reserve protection is maintained in support of national energy security—the President directed Secretary Abraham to add 108 million barrels of crude oil to the stockpile. The Department has implemented a royalty-in-kind proposal to fill the reserve to its maximum capacity quickly and without draining appropriated funds;
- Set into motion a \$300 million project (non-federal funds) to work with the private sector to upgrade California's Path 15 and alleviate California's major electric transmission bottleneck. To accomplish this, Pacific Gas and Electric will work with 6 other parties and the Western Power Administration; and
- Continued the President's ten-year commitment to increase funding for the Weatherization Assistance Program to assist low-income families in reducing the cost for heating and cooling their homes.
- Proposed an increase of \$700 million in the Bonneville Power Administration's permanent borrowing authority to make needed investments in transmission and other infrastructure in the Pacific Northwest.

Science programs will emphasize the most significant national priorities—to find new sources of energy, meet the threat of weapons of mass destruction, and make an essential contribution to the Nation's technological leadership, itself the foundation for national security in the 21st Century. The Department is requesting \$3.3 billion for Science programs in FY 2003. The relevance of our science programs to national security was clear in the Department's response to the September 11th attacks. Federal authorities used a decontamination formulation developed at Sandia National Laboratories to help rid Capitol Hill buildings of anthrax. In addition, local officials throughout the country were helped by sharing a high-tech mapping program with demographic and traffic information designed jointly by Los Alamos and Sandia National Laboratories to protect against terrorism in U.S. cities by simulating terrorist attacks and assessing emergency preparedness.

The Department's Environmental Management program will implement a recently completed top-to-bottom review to better ensure the cleanup of the Cold War leg-

acies, and that future defense requirements, the security, health, and safety of individual Americans remains protected. On the basis of this review, the Department is requesting \$6.7 billion for the Environmental Management program in FY 2003. This budget will have a new \$800 million Cleanup Reform account out of which those States working with DOE can receive additional funds for alternate cleanup strategies that lead to greater risk reduction at their sites. Also key to achieving our cleanup objective is the Secretary's recent announcement of his intent to recommend the Yucca Mountain site for our Nation's permanent geological repository. Such a recommendation will bring us one step closer to permanently securing the nuclear materials currently stored throughout the country.

We also discharge our National Security mission as the stewards of the Nation's nuclear weapons stockpile. The Department is requesting just over \$8 billion for the National Nuclear Security Administration (NNSA), a \$433 million increase over the FY 2002 level, signaling a major boost in support for security programs. The Department, through the (NNSA), invests in advanced scientific and manufacturing capabilities to ensure the long-term capability to assess weapons status, extend weapon life, and certify that the stockpile remains safe, secure and reliable without nuclear testing. The Department has a long and successful history in combating proliferation of weapons of mass destruction. Through strong support for nonproliferation programs this budget implements recent bilateral agreements with Russia to address the proliferation of weapons-grade material and supports the innovation needed to ensure homeland security. The budget continues to supply safe and reliable nuclear propulsion plants to the U.S. Navy, thus helping project U.S. military presence around the world.

CHANGING THE WAY WE DO BUSINESS

And more than our mission has changed.

Secretary Abraham also laid out his vision and expectations of the DOE workforce. DOE must become a place where employees of other Departments wish they worked, and an agency every Cabinet member wish they led. Programs would be managed against measurable performance objectives and managers would have clear accountability. Every manager was asked:

- to ensure the safety of our employees and the communities surrounding our facilities;
- instill a respect for and adhere to the highest standards of security; and
- build a culture where merit determines hiring and promotion and diversity is viewed as keys to recruiting and retaining the best people.

But the challenge is greater. The Department is also addressing long-standing criticisms of DOE management and moving toward the Administration's model as set forth in the President's Management Agenda. With an emphasis on measurable performance objectives and accountability, the Secretary is holding DOE managers responsible for making these changes. We have set priorities, disciplined our focus and will measure everything we do by reference to our missions and priorities.

IMPLEMENTING THE PRESIDENT'S MANAGEMENT AGENDA

The President has called for an active but limited government, one that empowers States, cities, and citizens, ensures results through accountability, and promotes innovation through competition. The Administration has targeted areas for improvement throughout the federal government. Our work to fully implement these initiatives will continue through FY 2004 and beyond, but we have a path forward and are making changes now.

Human Capital

In order to eliminate unnecessary layers of management, direct personnel to high-priority missions, address skill imbalances, and achieve a 5-10 percent savings in management expenses through comprehensive, creative management reform, DOE will accelerate workforce planning and work with the Office of Personnel Management to conduct complex-wide organizational surveys to analyze and evaluate DOE field and headquarters redundancies, fragmentation and duplication of effort.

Competitive Sourcing

We are initiating formal competitive sourcing reviews under the provisions of Office of Management and Budget Circular A-76 on approximately 1,000 positions. In addition, line managers are planning other reviews that may lead to formal studies. The longer-term goal is to conduct reviews on 50 percent of the Department's inventory of federal positions that are not inherently governmental.

Improved Financial Management

We will continue to build on the Department's unqualified audit opinion on the consolidated financial statements and work to integrate better financial, budget, and program information in order to provide costs information related to performance. Key to the success of this Initiative is the completion of the Financial Management module of the Department's Corporate Management Information System (CMIP).

E-Government

To make better use of computer information systems to improve management, promote efficient use of resources, and make our systems provide more people friendly information, the Department will strengthen its Information Technology investment portfolio by linking investment control processes, using enterprise architecture, and improving security policies and capital planning.

Budget and Performance Integration

We have strengthened the Department's ability to measure performance by establishing the Program Analysis and Evaluation Office and developing a five-year planning, programming, budgeting and evaluation process. Building on the integration of performance metrics into our FY 2003 budget submission, we are improving the performance measures contained in our FY 2003 budget request and will continue to improve performance measures and their integration into the FY 2004 budget. These improvements will provide clear, quantifiable outcomes to support budget requests.

Applied Research and Development (R&D) Investment Criteria

The President's management initiative on applied R&D calls for improved criteria to better focus programs on linkages to Presidential priorities, market justification, cost-sharing targets and performance outcomes. Our first phase of improvement is reflected in the budget for the Fossil Energy, Nuclear Energy and Energy Efficiency and Renewable Energy programs. In FY 2004, all applied R&D activities in the Department will make use of these improved criteria.

REPORTING ON PROGRESS

Management changes at DOE go beyond the objectives of the President's Management Agenda. To clarify roles, responsibilities and accountability, Secretary Abraham has also revamped the Department's management structure.

In October 2001, two new administrative elements were established within the National Nuclear Security Administration (NNSA) to clarify lines of authority and accountability—Facilities and Operations for oversight of security, environment, safety, health, technical and management support for construction projects, and centralized support for all field-based activities and Management and Administration to manage finance, planning, administration, human resources, procurement, and information technology. NNSA is also taking action to streamline and clarify the chain of command and simplify the headquarters-field management structure.

The Secretary has strengthened the role of the Under Secretary for Energy, Science and Environment and given him direct line management responsibilities for Energy Efficiency and Renewable Energy; Science, Environmental Management; Civilian Radioactive Waste Management; Environment, Safety, and Health; Fossil Energy; Nuclear Energy; and Worker and Community Transition.

We have also launched a number of initiatives to address previously identified but long-standing problems in programmatic areas. We have:

- Brought in outside experts to improve and streamline the Department's safety and security while bolstering our own safeguards and security, the Congress provided us with \$368.7 million in FY 2002 supplemental funding to enhance post September 11th security;
- Engaged in a top-to-bottom review of the entire Environmental Management program, identifying systemic weaknesses and proposing a new way to do business in the program; and
- Completed benchmarking activities for our science laboratories to ensure that they are operating efficiently and whether current DOE requirements add value and are consistent with other federal agencies.

The Department has made cross-cutting changes to strengthen accountability by:

- Modifying the performance evaluation system for the Department's Senior Executives, making them more accountable for ensuring program success. These modifications will flow down to General Schedule employee levels during FY 2002;

- Issuing “Program and Project Management for the Acquisition of Capital Assets,” (DOE Order 413.3) a major comprehensive resource to address all aspects of major project and program management and improve accountability for project and capital asset management;
- Implementing the Project Management Career Development Program to enhance employee technical skills as recommended by the National Research Council;
- Expanding the “Chief Operating Officer’s Watch List” to monitor all significant major construction projects. This useful tool provides high visibility and increased management attention to projects that exhibit early warning signs of trouble. In addition, we are placing much greater emphasis on acquisition planning, incorporating better measurements of performance, conducting earlier independent reviews, ensuring appropriate senior management oversight and providing real-time feedback to influence better outcomes; and
- Initiating a process by which the Department’s Program Secretarial Officers submit their highest priority objectives and related performance measures on an annual basis to the Deputy Secretary. This information will be tracked throughout the year and will be used to identify issues that may impede the achievement of these mission objectives.

We have streamlined and consolidated operations including:

- Consolidating the Office of Assistant Secretary for International Affairs with the Office of Policy to create a new Office of the Assistant Secretary for Policy and International Affairs;
- Strengthening the Office of Independent Oversight and Performance Assurance by adding environment, safety, health and security oversight to its responsibilities, and having that office report directly to the Deputy Secretary;
- Separating the Office of the Chief Information Officer from the Office of Security and Emergency Operations and elevating it to report directly to the Secretary; and,
- Merging the Offices of the Chief Financial Officer and Management and Administration to create the Office of Management, Budget and Evaluation.

We are also improving our financial management. The newly consolidated Office of Management, Budget and Evaluation (OMBE) added a new function, Program Analysis and Evaluation, to bring rigorous analysis and long-term budgeting of program plans and funding proposals. These improvements will benefit the Department.

OMBE will serve as a linchpin to improve the integration of the Department’s strategic planning, budgeting and project management activities through the creation of a multi-year planning, programming, budgeting and evaluation capability. The National Nuclear Security Administration Act required the NNSA to submit a Five-Year Nuclear Security Program to the Congress in FY 2002. The Department is expanding this effort to conduct long-term planning for the entire Department of Energy in FY 2004.

In summary, this budget responds to a changing Nation. We will use every resource at our disposal to better support our National Security mission, ensure the Nation’s energy supply, implement the President’s initiatives, and realize Secretary Abrahams’ vision for the Department. Mr. Chairman, this ends my opening statement. I would be pleased to respond to your questions.

The CHAIRMAN. Thank you very much.

Let me advise folks what our plan is here. I will ask a few questions, Senator Murkowski will and Senator Cantwell, if time permits. Then we will recess. We have got three votes starting on the floor. And then as I understand it, Senator Cantwell, you wish to return and ask a few additional questions at that point. Is that correct?

Senator CANTWELL. Yes.

The CHAIRMAN. We will do that, and I know that, Mr. Griles, you need to be at another appointment. If the rest of you could return at that point, that would be great.

Let me start with Mr. Griles and ask you about this letter you say you sent last night to the Appropriations Committee. Is this a reprogramming request?

Mr. GRILES. It is a letter that indicates we are going to take current balances and make the expenditures out of there to pay the individual Indians. It is not a reprogramming request per se. It is to let the subcommittees know that we are going to go forward and use estimates. It is our expectation, Senator, once the court allows us to turn on the Minerals Management Service computers, that there is more than sufficient funds in those individual accounts that we can replace that which we are going to use. So, we do not think it is going to require a reprogramming of monies. If it is, we have told the committees in the letter that we will keep them constantly informed as soon as the computers come back on and we know what the actual accounts for these are.

The CHAIRMAN. I am just trying to get a clear notion. You sent the letters. Are you having to wait for some action by these subcommittees, or are you able to go ahead and send the checks right away?

Mr. GRILES. We are going to cut the checks as soon as the system can.

The CHAIRMAN. So, you are not waiting on anything.

Mr. GRILES. No, sir.

The CHAIRMAN. You are moving to send checks as quickly as you can do so.

Mr. GRILES. I have waited long enough for the court to say yes to our proposal. They have not. We have to pay these individuals, and we are going to take this and use this process to pay these individuals, Senator.

The CHAIRMAN. Okay.

Mr. Carnes, let me ask you about a change that I detect in the budgets for all Departments I believe. And certainly I think it is reflected in the three Departments that are represented here today, and that relates to the costs involved with health and benefits for Federal employees.

Always before, that has been considered a mandatory item in funding, and I think the expectation has been that that would continue. This year the administration has chosen to list that as a discretionary item and to lump it in the budgets so that, in fact, every Department's budget is reduced by the amount that is attributable to what was otherwise funded elsewhere as a mandatory item. Am I understanding this correctly?

Mr. CARNES. Yes, sir.

The CHAIRMAN. Can you give me the justification? I have heard something about how this helps your ability to account for these dollars. I do not understand why they cannot be accounted for and still be mandatory.

Mr. CARNES. I probably would need to defer to OMB for the details of why this classifies as discretionary versus mandatory, if I am right about that. But let me just say that I think philosophically what we have done is to line up—in the case of Energy, let me just make the point that it is about \$70 million for us. Philosophically what this does is to line up the costs of operating our programs with, in fact, the programs themselves. This cost has been, in a sense, a cost of doing the business of our programs, as everybody else's programs, and has been lined up elsewhere pre-

viously, I believe in OPM. And now it has been distributed out to the agencies.

The CHAIRMAN. So, in the case of the Department of Energy, this represents \$70 million of additional expense which has never previously appeared in your budget.

Mr. CARNES. That is correct.

The CHAIRMAN. And the figure, I believe, for the Department of the Interior is what? \$250 million?

Ms. SCARLETT. It is approximately that amount. What this is essentially is post-retirement health benefits and other pension benefits that have historically been in the OPM, the Office of Personnel Management. So, for our purposes, that sum that used to be funded out of OPM is now funded in our budget and is in fact budget neutral as it relates to total expenses.

Mr. CARNES. If I could, it was a transfer from the OPM account over to each of the Departments.

The CHAIRMAN. But it is more than a transfer from one account to another account. It is a transfer from mandatory spending to discretionary spending as well, as I understand it. Am I right about that?

Ms. SCARLETT. Yes.

Mr. CARNES. Yes.

The CHAIRMAN. I think that is the kind of an issue that you may hear more about as the budget process continues.

Mr. Rey, let me ask you about the economic action programs. You propose in this budget no funds for the economic action programs. The funding level in the current year is \$35.6 million. This is a set of programs that Senator Murkowski, Senator Wyden, Senator Craig, and I have been strongly supporting. What is the justification for zeroing out these programs?

Mr. REY. In prior years' budgets, assistance to communities through the economic action programs came exclusively from the State and private forestry account of the Forest Service's budget. The strategy in this budget cycle is to integrate community assistance throughout the Forest Service budget and to make community assistance more integral to the entirety of the Forest Service's mission. So, while we have zeroed out the economic assistance program, we have increased community assistance initiatives in other areas of the Forest Service's budget. For instance, in the forest stewardship program, technical assistance support was increased by \$16.1 million with, as I indicated in my testimony, a \$10 million increase for small diameter materials. We also added \$5 million in forest research to support biobased products and bioenergy.

Additionally, the President's management initiatives call for significant increases in contracting that will benefit local businesses. For instance, 20 percent of our fire readiness programs will be contracted as opposed to done internally in fiscal year 2003.

Additionally, the recently enacted payments to States legislation will be providing an additional \$25 million that will be directly available for work as agreed to between local resource advisory committees and the Forest Service.

I think there are some other initiatives as well scattered throughout the Forest Service budget. Perhaps the most useful use of our time today is for me to summarize all those for you in one

document. But I think once you look at all of those in total, what you find is the \$30 million reduction in the economic assistance program has been more than offset in economic assistance activities integrated in programs throughout the Forest Service's budget.

The CHAIRMAN. I note my time is expired. Let me defer to Senator Murkowski.

Senator MURKOWSKI. Thank you very much, Mr. Chairman.

Mr. REY, I am curious to know. I believe in your budget there is a reference to the Forest Service facility in Sitka which was designed primarily to find new commercial utilization of the primary forests, spruce, hemlock, cedar, and so forth. There are six or seven people over there. Have they been able to do anything substantive?

Mr. REY. They have done a fair amount with research associated with using the species unique to Alaska, old growth, tight grain hemlock.

Senator MURKOWSKI. I mean, is there any commercial activity? Have we created any jobs as a consequence?

Mr. REY. No. I think they are still at the research stage of that. It is going to take another year or so before you see some of that operationalized although I think Gateway Forest Products, if it continues to be up and running, will benefit from some of the research work they have done so far.

Senator MURKOWSKI. Well, I am just a little impatient with them, as you know.

Mr. REY. I have come to know that, yes.

Senator MURKOWSKI. How much time do they need until we find out whether the contribution is meaningful? Because we can use the money someplace else if they are not going to come up with anything.

Mr. REY. I think if you ask the folks at Gateway and some of the other industry people in Southeast, they will tell you they are already getting some benefits from it. I think we will see more operational activities.

Senator MURKOWSKI. I am going to ask them, and I will bet you are wrong.

Mr. REY. I think you will find they are more enthusiastic. At least the last time I was there they were.

Senator MURKOWSKI. I think I was there——

Mr. REY. More recently than me?

Senator MURKOWSKI. More recently than you.

Well, my point is in an obvious one. You are trying to cut the budget and trying to prioritize. So, let us do it and look at these things and find out if they are doing what they are supposed to do.

Mr. Carnes, I am curious to know. You mentioned several times a commitment to technology and advanced technology relative to energy matters, yet you zeroed out money for DOE's Arctic lab. Zeroing out that effort at the University to develop new technologies for heavy oil recovery, viscous oil, ice dynamics, etc. I mean, this is where the action is and you folks zero out this one significant effort because, as you know, the energy wealth of North America is coming from the Arctic. And we are the only State with Arctic in it and you zero out the program.

Mr. CARNES. Yes, sir. That mark, as well as other marks, in our budget and in the budgets of, I suspect, every other Department in

the Government are characterized by an elimination of earmarks, if I have got my projects right here. There is nothing that offends us about that particular project except the general view that, to the degree that we can, we want to have competition for our funds. So, it was simply a general matter relating to the earmark issue.

Senator MURKOWSKI. Okay. Well, it is an explanation but I do not consider it an adequate one because, on the one hand, you are talking about advancing technology; on the other, the one area where you establish it initially, and then the first year you cut it out, as opposed to the Sitka arrangement which has been going on for a few years and we have not seen anything yet. Anyway, we will get back to that.

Mr. CARNES. Sir, I absolutely understand your point.

Senator MURKOWSKI. Mr. Griles, it is beyond me. You have had two Secretaries of the Interior in a row that have been held in contempt of court because of the inability of the BIA to manage that trust fund for the tribal groups. At what point do you face reality that the BIA is incapable of that function? And to have your computers down as a consequence of, I guess, the Cobell litigation ordered by the Department of the Interior, your whole Department is down because of the concern the court has over the adequate protection of the Indian trust funds.

When do you face up to realities and contract that? Trust departments do this all the time as a matter of course. They put their reputation on the line in their ability to manage the trust and disburse appropriately and provide notification and so forth. You have gone through two Secretaries of the Interior and you are still faced with this dilemma which ties up your whole Department.

Mr. GRILES. Well, first, Senator, if I may respond, this Secretary has not been held in contempt.

Senator MURKOWSKI. Well, she has been charged with contempt.

Mr. GRILES. There is an allegation by the plaintiffs.

It is my sincere hope and desire—in my court appearance on Wednesday and Thursday of last week, which I spoke to the judge at length—that he will not find that a necessary cause of action that he believes he needs to take.

As I said to the chairman, we are dealing with the IIM account holders. The individual money account holders of the individual allottees, whose interests have, since 1887 in some instances, been divided seven times by seven. We have gotten down to where some accounts have .00034 of an interest. We need a legislative effort to deal with that.

Senator MURKOWSKI. Have you asked for legislation?

Mr. GRILES. Yes, we have, sir. And we are going to be coming back. Legislation has been enacted by Congress and was found unconstitutional. So, we have got to come back with a better solution.

But your instincts are right, Senator. This is a very, very tough issue. We will be looking at outside sources as well as to get advice and help on how best to manage this. Individual trust accounts at banks charge fees. We do not charge fees.

Senator MURKOWSKI. Well, no, but you have costs.

Mr. GRILES. Right.

Senator MURKOWSKI. What difference does it make? You have the authority to contract out.

Mr. GRILES. Correct.

Senator MURKOWSKI. I do not know how many times you have to bounce your head against a wall before you figure out that this is not something that the BIA is capable of doing in a responsive manner and get on with it and make the decisions. There are those that say it deprives the BIA of responsibility, but if they are not doing their job and you cannot get a handle on it, it would seem appropriate to face up to it.

My time is up. But I have been on this committee for 20 some years, and I have heard this continually, the inability of the BIA to function in managing those accounts. I do not have a beef with anybody. The tribes deserve reasonable accounting. If you look for accountability in the BIA, good luck.

Mr. GRILES. Mr. Chairman, if I may respond to the comment. The Secretary proposed a reorganization of the Department's trust management assets, which would set up a new Assistant Secretary position that would have all the trust asset management functions under it, separate and apart from the Bureau of Indian Affairs. That has been uniformly, I think, rejected by most large Indian organizations and a lot of tribal governments.

But we are looking at how to best deal with that issue. We have not asked for additional legislation at this time on the IIM accounts. We are looking at how best to do that, and we will look to work with you in how to do that. To turn it over to the banks I think, Senator, would probably take legislation also.

Senator MURKOWSKI. You are not talking about banks. You are talking about trust departments that have that capability.

Mr. GRILES. Yes, sir.

The CHAIRMAN. Senator Cantwell.

Senator CANTWELL. Thank you, Chairman Bingaman.

I would like to focus my comments this morning on the cleanup of the Hanford Nuclear Reservation in my questions to you, Mr. Carnes. But first, I would like to just recap a few things.

The administration's budget calls for a \$262 million cut in the Hanford cleanup funding at a time when the amount of radioactive waste at Hanford is greater than on any other site of the DOE's site list. Today Hanford stores about 54 million gallons of dangerous, high-level radioactive waste in 177 massive underground storage tanks, 149 of which are 30 years old, past their designed life, and 67 of which have leaked at least 1 million gallons of waste into the soil, a mere 7 miles from our region's lifeline, the Columbia River. There are wells located along the Columbia River shoreline that register strontium 90, which is a chemical, which are 1,600 times the Federal drinking water standard.

The cleanup has always been the main focus and the focus of the triparty agreement, which is a legally binding document, a consent order that binds DOE to the Hanford cleanup and is in compliance with State and Federal environmental laws.

So, my question this morning is to fall behind in the Hanford cleanup is not only a violation of that triparty agreement, it is unacceptable to the people of Washington, to the region of the Northwest, and to the country.

Nonetheless, the administration now proposes a 20 percent cut of nearly \$262 million in the funding for Hanford cleanup. As many

of my colleagues are aware, the administration has an unusual way of looking at how to restore these funds. I can tell you I do not think there are people in America or people in Congress who want CFO's coming here talking about unique and risky ways of doing budgeting and accounting.

I would like to add to the record, Mr. Chairman, an article that appeared in the *Tri-City Herald* this last Saturday which says, "the concept simultaneously intrigued, spooked, and puzzled Hanford Advisory Board members and Hanford regulators. That is because Hanford could get lots of extra cleanup money or it could find its 2003 budget heavily slashed."

[The information referred to follows:]

HANFORD NEWS

HAB HEARS DOE'S NEW CLEANUP APPROACH

Hanford's federal leaders say they have a long list of projects that could speed up under the Department of Energy's new budget-and-cleanup approach.

The site is in a good position to grab a major chunk of \$800 million to \$1.1 billion that DOE says it will distribute to cleanup projects nationwide that show plans to accelerate their work, Keith Klein, DOE's Hanford manager, and Harry Boston, manager of DOE's Office of River Protection, told the Hanford Advisory Board on Friday.

"These (accelerated plans) are things we've already been doing. We just have to tie it up, wrap it in a ribbon and present it to the powers-that-be back there (in Washington, D.C.)," Klein said.

These plans range from finding new ways to deal with some radioactive tank wastes to earlier removal of plutonium from the Plutonium Finishing Plant.

DOE officials and HAB members chewed over DOE's new master plan to speed nuclear cleanup nationwide along with DOE's new approach to paying for that cleanup. DOE unveiled its fiscal 2003 budget request to Congress and its new master plan Monday.

The hazy bottom line: Hanford can get anything from \$1.46 billion to almost \$2 billion in fiscal 2003. The site needs at least \$1.765 billion—maybe more—to meet its legal cleanup obligations in 2003.

Friday some new details emerged, such as the existence of a potential additional \$300 million for nationwide 2003 nuclear cleanup.

But many details remain fuzzy, such as if Hanford's HAMMER training complex will be funded at all.

"We're about 10 seconds ahead of you" in learning how DOE's Washington, D.C., headquarters plans to implement its new cleanup approach, Boston and Klein told the board at separate times.

DOE's master plan calls for Hanford and other DOE sites to speed up their cleanup efforts dramatically. The concept specifically targets Hanford's K Basins, PFP and tank farms.

HAB members like that idea.

But DOE also will fund cleanup differently, creating an \$800 million to \$1.1 billion incentive fund. That money will go to sites with accelerated cleanup plans that meet DOE headquarters' approval.

After DOE approves those plans this year it has the commitment of the federal Office of Management and Budget—the president's budget-writing agency—that those plans will be fully funded through 2008, said DOE's cleanup czar, Jessie Roberson, who participated briefly in Friday's meeting by phone.

The concept simultaneously intrigued, spooked and puzzled HAB members and Hanford's regulators. That's because Hanford could get lots of extra cleanup money, or it could find its 2003 budget heavily slashed.

And no one knows yet when and how DOE's headquarters will judge cleanup plans and distribute the incentive money.

"I'm intrigued by the carrot of the multi-year commitment (of funds). But we don't understand the process and the timing issues," said HAB member Leon Swenson, representing the public.

Several HAB members wondered about timing. That's because DOE has not said when it will approve the plans and funds. And some DOE proposals must jump through complex legal and legislative hoops before they can be implemented.

This is DOE's 2003 budget to Congress.

DOE wants \$6.7 billion for nationwide cleanup in 2003, the same amount Congress appropriated for 2002.

That request is divided in two parts. One is \$5.9 billion to be divided among DOE's sites in the traditional way. Then there is \$800 million for sites with approved acceleration plans. Klein said DOE will ask Congress for an extra \$300 million if \$800 million is insufficient.

For Hanford that translates to a minimum \$1.46 billion budget—\$262 million less than 2002 and at least \$305 million short of meeting the site's legal obligations for 2003.

The Office of River Protection, which manages the site's tank farms, will get a minimum \$903 million, compared with \$1.027 billion approved in 2002. Maintaining the tanks safely faces the biggest potential cut.

DOE's Richland office, which supervises everything else at Hanford, faces a budget cut from \$695 million in 2002 to minimum \$557 million in 2003.

Next step: Hanford has to apply for some of the \$800 million to \$1.1 billion to do what it wants to do.

"We're being held hostage if we don't play the new game. . . . It scares me silly," said HAB member Paige Knight, representing Oregon's Hanford Watch.

HAB members questioned DOE's approach to fund the removal of 2,300 tons of spent nuclear fuel from the K Basins.

DOE's budget request trims the K Basins from \$153 million in 2002 to \$90 million in 2003 when the agency also wants to speed up that project. Klein said DOE's headquarters wants a firm grasp on the project before allocating extra money to it.

HAB members noted that most of the K Basins' preparations are done and that the removal efforts have just reached full speed. Consequently, they wondered what DOE wants before it restores the trimmed K Basins money.

The HAB's Hanford workers' representatives also protested the HAMMER training complex's budget going from \$5.8 million in 2002 to zero in 2003. They also fretted about other training being apparent in the 2003 budget request. Klein said DOE is looking into how HAMMER and other training will be funded.

Since Hanford, its regulators and public have worked the past several months on how to speed up cleanup, Boston and Klein believe Hanford will capture a major chunk of the incentive fund. Here are some accelerated projects that Klein and Boston hope to pitch to Washington, D.C.:

- Finish the PFP's cleanup in 2009 or 2010, instead of 2016, by removing its stabilized plutonium earlier.
- Run Hanford's first waste glassification plants beyond their 2018 shutdown dates.
- Study if some low-activity tank wastes can be solidified and neutralized some way other than the more expensive and time-consuming glassification.
- Close Tank C-106 and fill it with concrete or sand by 2004, instead of by the current 2014 deadline.

Senator CANTWELL. So, my question is—and before I get to that question, Mr. Chairman, because I know that we have a pending vote—I think this overall issue of the DOE top-to-bottom review and how they are changing their environmental management program is certainly a new direction, and I believe that we need to have a hearing reviewing that. I know we all have a hectic schedule, but I hope that we can hold this hearing sometime in the next month or 2 so it will help us focus on these important decisions and budget priorities during this process.

So, Mr. Carnes, I guess my question to you in this process is—and obviously, Secretary Abraham in his confirmation hearing came before this committee and said that DOE will meet the commitments that we have made before. I believe that to mean the triparty agreement.

So, do you believe that the DOE can meet the required cleanup milestones without guaranteed funding levels?

Mr. CARNES. Yes, Senator, I do think we can meet those requirements. If I could just elaborate for one second.

There are a couple of areas in our budget that were particularly trying as we came to closure on them, and I might just mention

in passing that the environmental management budget was one of those thorny, vexing issues that remained open very late in the session. We came to closure on that only at the very last moment.

Let me also add that the new program, which we have identified in the budget, identifies \$800 million, but that we consider to be a down payment. In fact, if that money is over-subscribed in fiscal year 2003, our plan is that we would seek from the Congress additional resources in fiscal year 2003, and the Secretary and Director Daniels of OMB have an understanding to that effect.

The third point I would make is that Hanford is a very high priority for us, an extremely high priority.

My fourth point is that our view is that the existing way of doing business is, if you will allow me, in a way unconscionable public policy because it does not actually reduce risk. And it is, in a way, unconscionable fiscal policy because it does not save money. We are looking at cleanup activities that could take until the lifetimes of our great grandchildren. And the Secretary and others in the Department feel that we must do whatever we can to hasten the cleanup of these sites and achieve real reduction in risk.

We understand that that means examining. In some cases we would have to look at various agreements, and I think probably Jessie Roberson, our Assistant Secretary, is the appropriate person to discuss the details of the Hanford situation with you. But we recognize that that is in some cases a possibility.

Senator CANTWELL. Let me just make sure that I am being clear here because we have an agreement.

Mr. CARNES. Yes, ma'am.

Senator CANTWELL. It is a legally binding agreement.

Mr. CARNES. Yes, ma'am.

Senator CANTWELL. Now you are asking that we come as a State or a site and negotiate with you on the details of cleanup. The cleanup has already been detailed. What milestones have to be met have been explicit in that agreement. So, now to come and say here is less funding than you had last year, but we will let you and everybody else go after this pot of money, but we are going to negotiate with you what we are going to pay out and how we are going to pay it out is not living up to the triparty agreement. That is changing the agreement and the process, and it is leaving them at risk.

Now, if you want to guarantee today that you will meet the funding level that was requested to meet the triparty agreement, as a minimum, and then the State can talk about other ways to expedite, then we would be in a different discussion. Do you want to make that commitment today?

Mr. CARNES. Ma'am, I cannot, though I more than understand your point and it sort of goes back to the first thing I was saying which was this is an issue that was a long time settling. I recognize that your State and surrounding areas have a big concern here, and we are not indifferent to that, and we do want to work with you and officials in Washington to move this along as fast as we can to achieve a reasonable solution that satisfies your needs as well as ours.

Senator CANTWELL. Well, I would just say again that creative accounting at this point in time on something as important as Han-

ford cleanup—again, other administrations have come and looked at this big budget and said: How can we do it for less and how can we do it in a different time frame? But we keep revisiting these same issues. That is how we got to the triparty agreement, to make it legally binding. So, now to do creative budgeting on top of that obviously has a lot of people very anxious and very nervous that this legal document is not going to be met and the objectives are going to be changed without real review of that document.

Mr. CARNES. Well, I can understand, if you will allow me, concerns about the question of the policy, but I can assure you there is no creative accounting or creative budgeting in our proposal. But I do recognize that the proposal is a controversial one.

The CHAIRMAN. We are at the point where we need to break for this vote. We will reconvene after the three votes and Senator Cantwell will then preside.

I thank you all very much. I understand Mr. Griles will not be able to stay.

[Recess.]

Senator CANTWELL [presiding]. The Energy and Natural Resources Committee will reconvene for the purposes of hearing testimony on the budget request for the Department of the Interior, U.S. Forest Service, and the Department of Energy.

If I could, I would like to go back to Mr. Carnes in questioning. Thank you for some of your follow-up comments.

I have questions then in regards to the program that you are talking about, the \$800 million reform account. I know you think it does not mean risky accounting, but obviously if you had full funding of the budget, that to me is the direction that we need to go.

Can you tell me precisely what are the criteria of the process and the time line that will determine which sites get funded and how the new account will operate?

Mr. CARNES. Yes, ma'am. Thank you. And let me just make one comment about our previous exchange. We will carry out the provisions of the law. We will always do that.

In response to your present question, the criteria for access to the funds are being worked out right now by the Department under the leadership of Jessie Roberson, our Assistant Secretary. They may, in fact, be different for different places depending upon what the situations are at different places.

Some have asked, well, why do that this year? Why not do it next year? And our answer to that is we would ask for the funds this year because we think, if we get agreements, we want to move ahead to execute them as fast as we can rather than wait another year to do so. Criteria are currently being established by the Department.

Senator CANTWELL. So, if you in your statement said that you will live up to the triparty agreement, then why not just fund the budget for Hanford in full as opposed to putting them in a group of people that have to compete and then maybe trying to convince them to go for lower standards on the cleanup?

Mr. CARNES. The reason is that the current plan calls for ultimate resolution of the Hanford waste problem by the year 2070 and the Department believes that after 10 years under the triparty

agreement, we have learned some things and believe that there are opportunities where we can do accelerated cleanup and alternative strategies that may be something that the State and Federal regulators would be interested in pursuing.

Senator CANTWELL. But if you do not have the criteria in place, how do you know what the base level is?

Mr. CARNES. We know what the base level is for the current funding profile, for the status quo, with the 2070 closure date.

Senator CANTWELL. But I am saying how did you come up with \$800 million? You said earlier if it took more money for Hanford cleanup, you would come up—how would that work?

Mr. CARNES. The \$800 million, if you will allow me, is like that. We consider it the opening of the program, an initiation of—

Senator CANTWELL. I am sorry. Did you mean a moving target?

Mr. CARNES. No, ma'am. I mean it is sort of Kentucky windage. Feels right. \$800 million preserves us at the fiscal year 2002 funding level in total for environmental management. There is nothing sacred about the \$800 million level in and of itself. We would, in fact, be pleased, as would the rest of the administration, were that level to go up, and the total funding for environmental management to be in excess of 6.7, provided that it represents a change in the way we do business. So, there could be in excess of 6.7 in 2003 if in fact enough locations seek to embrace this proposal and accelerate cleanup.

What it would mean for most locations is more money in the short term, in the near term, than they would have otherwise gotten under whatever current agreements are in force, and at the end of the day, it would mean quicker cleanup. The new program's intention is to support additional funding for accelerated cleanup which will produce in the long run both the elimination of risk and savings to everybody.

Senator CANTWELL. If in this case the Hanford's numbers are off by a couple of hundred million dollars, what if everybody's numbers are off by that? How would you see that working in the budget process?

Because I can tell you what you are also suggesting is that new negotiations take place that would substitute for the triparty agreement, and the last thing the people in the State of Washington or the Northwest want to hear is that somehow people think that the cleanup process can be expedited by taking some of these tanks and sealing them up and that will take care of our problem and they will not be part of the removal process.

Mr. CARNES. Yes, and we certainly would not pursue a course of action that did not have the support of State officials. It would be an agreement, if you will. We would not proceed in violation of the agreement. We would see, in various cases, including Hanford, to revisit certain aspects of that agreement to see if we can get a new agreement.

Senator CANTWELL. There are agreements and then there are holding people hostage to get their funds by getting them to agree to a new process. So, I think what would be wise is if we do have a review of this new environmental management approach by the agency and have the committee review that and have them give testimony on how this process might work. But I think you can un-

derstand the history of many different administrations coming in and trying to look at the cleanup, trying to cut funds for it. That is how we got to the triparty agreement.

Mr. CARNES. Yes, ma'am. I do not think we are under any illusions about how hard this is.

Senator CANTWELL. Great.

I would like to turn to Mr. Rey, if I could, and ask you a question about the budget as it relates to the backlog on road maintenance. I think we have a backlog of between \$5.3 billion and \$8.4 billion in deferred maintenance on about 386 miles of existing roads. It appears that your budget does very little to alleviate that backlog. In fact, you have cut I think \$10.1 million, for a total of \$50.87 million compared to \$60 million enacted in 2002 from the deferred maintenance and infrastructure improvement program.

Do you not agree that in the long term it makes more sense environmentally and fiscally to start maintaining the roads that we have rather than letting them fall into disrepair?

Mr. REY. Yes.

Senator CANTWELL. So, why not reflect that in the budget?

Mr. REY. I think that there are a couple of pieces to that. Our annual operating budget is probably not the place where we are going to make major inroads in that large backlog, but I think what we are hoping to do later this year and early next is to engage the committees of jurisdiction, when Congress revisits the ISTEA bill, to see if we can secure some additional resources through the ISTEA funding to get a larger chunk of that backlog dealt with.

Senator CANTWELL. I think you are proposing \$44 million on road construction to support the new harvest levels. So, how much of that \$44 million would be spent on new roads?

Mr. REY. Very little of it. I think it is almost exclusively maintenance and reconstruction of existing roads.

Senator CANTWELL. So, you could provide the committee with an exact number on that?

Mr. REY. I will provide you with an exact breakdown. But I think we are somewhere in the neighborhood of 90 percent on maintenance and reconstruction.

Senator CANTWELL. Mr. Rey, in your testimony you mentioned the Thirtymile Fire, I think in your written testimony. As you are aware, OSHA just last week issued five citations, three serious violations, and two willful violations against the Forest Service.

Since this committee held an oversight hearing on the incident in November, my office, Senator Bingaman, and the Forest Service have been engaged in ongoing dialogue about what we should do to change the culture of complacency that I think exists within the Forest Service on this issue.

It is my understanding, Mr. Rey, that the money for firefighter safety and training is contained within the Forest Service wildlife preparedness account. However, after one adjusts for uncontrollable costs, the President's budget actually cuts this funding by \$39 million. So, how can we get the Forest Service to commit to the safety programs that they need when these safety programs within the budget are actually being cut?

Mr. REY. The overall fire plan program budget is being reduced by the amount that you have indicated. A good chunk of that reduction will be offset by outsourcing or contracting out some of the fire plan work, not specifically related to firefighting per se. Our actual commitment to firefighter training is increasing, and I can get you a separate breakout of that.

But more broadly, we are committed to making the reforms not only indicated in our own internal investigation, but in OSHA's investigation as well. We were relieved to some extent to see that OSHA's findings were comparable to ours, so that we were correctly, we think, diagnosing the problem. We have, as you indicated, been engaged in an ongoing dialogue with your staff and the Forest Service. I have participated in most of those meetings, and we have a commitment from OSHA that they will review our performance in a year's time so that we will have and you will have an independent audit of the success we are making in improving our firefighter safety responsibility.

Senator CANTWELL. You mentioned contracting out. What work is being contracted out?

Mr. REY. We are going to look toward contracting a lot of the fuel reduction activities and some of the support activities associated with firefighting, but not the actual firefighting force per se. And I can give you a better breakdown of that, if you want, as well.

Senator CANTWELL. How long would you predict your audit would take?

Mr. REY. Our audit of the Thirtymile Fire?

Senator CANTWELL. Yes.

Mr. REY. Our audit of what went wrong at the Thirtymile Fire is complete. Our action plan is in place and being implemented, and I believe we are scheduled to accomplish implementation of that action plan over the course of this year, with most of the major elements being completed before we get into this year's fire season.

What remains under review is the individual personnel review to establish whether there are individual personnel issues that we have to address, and I am hopeful that we will complete that relatively shortly.

Senator CANTWELL. Well, I still have a great deal of skepticism about the change in culture that I think needs to happen there. In talking to constituents in the Northwest, there is a great deal of concern that maybe the Forest Service should suspend some of the activities of these young people being engaged and trained in a very short period of time and being out on the line for this upcoming fire season until we can, in fact, guarantee that the system has been improved. What would your thoughts be?

Mr. REY. That is something we can look at, but we are not hiring any new firefighters this season.* So, everyone who will be on the line this year will have had 1 year of experience and will have benefitted from the additional training that the action plan resulting

*We believe Under Secretary Rey misspoke regarding firefighters. We suggest that on page 59, beginning on line 7, the passage ". . . but we are not hiring any new firefighters this season" be stricken as well as the passage at line 16 ". . . we will not be hiring new people." We suggest inserting the following: "We will be hiring new firefighters and they will be trained and assigned based on their experience and capability."

from the Thirtymile Fire indicates. So, I think I would like to review——

Senator CANTWELL. Even if we see an increase in activity?

Mr. REY. No. If we see an increase in fire activity in season, we will not be hiring new people.* We will be contracting with other firefighting authorities to assist in the firefighting effort. Those could be Canadians. Some years we have used Australian firefighters. In some years, in 2000 for instance, we have used the National Guard to do some non-fire line related work so as to free up some of our staff. You do not hire new firefighters once you are in the season in response to the immediate effects of that particular fire season.

Senator CANTWELL. So, what are the specific funding levels for safety and training?

Mr. REY. I will have to get you that for the record. I do not have it broken out in the budget materials with me today.

Senator CANTWELL. But you think it is an increase? You think it is status quo? You think it is a decrease?

Mr. REY. I think related to the findings of the Thirtymile incident, we will be increasing some of our safety and training programs.

Senator CANTWELL. Could you talk about the charter forest proposal and the administration's intentions?

Mr. REY. The charter forest proposal in the President's budget is a response and a reaction to a number of suggestions that have been put forward to us to look at alternative ways to manage individual national forests on an experimental or pilot project basis. The originators of those proposals have been as diverse a group as Congressman Udall and Congressman McGinnis who wrote to us on November 29 when we were completing the development of the fiscal year 2003 budget urging us to look at some ideas in this area.

Additionally, we have had proposals from the Center for the Rocky Mountain West at the University of Montana, as well as a consortium of environmental and other groups, who put together a working group called The Forest Options Group, and identified five or six different alternative management arrangements for individual national forests on a pilot project basis.

Also, we had a group of people brought together last fall under the auspices of Liz Claiborne's foundation in Missoula to talk about similar alternative arrangements.

I guess the unifying theme in all of these proposals is that it ought to be possible to take an individual national forest or a couple of national forests on a pilot project basis and, while maintaining strict compliance with all of the Federal environmental laws, look for alternative management procedures that get us better on-the-ground results with a greater degree of collaboration.

Hearing all of that from as wide a variety of sources as we heard it from inspired us to put forward the idea in this budget proposal and see if there is a reciprocal interest on the part of Congress to exploring this further. We do not have a legislative proposal to put before you, and I am not sure the best next step, if there is interest on the part of the Congress, is for us to draft such a proposal.

I suspect instead the next best step might be for the committees of jurisdiction, if there is sufficient interest, to schedule a hearing to hear from some of the authors of these proposals and perhaps some of the opponents of the proposals, and then evaluate whether there is a joint willingness to proceed.

If that is the case, if we get that far, then I think the next step might be for the administration to sit down and work with Congress to draft the parameters of what an acceptable and useful pilot project would look like. That is about as far as we have gotten to date, and so that is what is envisioned in the proposal that we have put before you so far.

Senator CANTWELL. Do you expect to make recommendation for changes to the Endangered Species Act?

Mr. REY. No, not as part of this proposal.

Senator CANTWELL. Actually, I think I had a follow-up question for Mr. Griles that I will just submit to the record in regards to the PILT program and the 22 percent decrease in the Payment in Lieu of Taxes, unless anybody else wants to comment on that.

Then I have one last question I guess to you, Mr. Carnes, about BPA borrowing authority. The \$700 million in increased borrowing authority falls short of the amount needed to bolster security and reliability of the electricity grid over the next 10 years. So, given that the administration has that as a priority in bolstering the security of our critical infrastructure, where did the \$700 million come from?

Mr. CARNES. The \$700 million figure is a level that will be required at this time to finance a number of significant transmission system, conservation, and hydropower improvements. But I do not think that the administration takes the view that that would be the end of BPA borrowing authority. Rather it is what we are seeking in this tranche of borrowing authority. We have been working closely with BPA to identify the particular projects against which the borrowing authority would be applied. As we work with them to develop what the specific projects against which additional borrowing authority would be needed, we will evaluate those and would, at the appropriate time, then submit a request for additional borrowing authority.

Senator CANTWELL. You are saying sometime in the next several months or?

Mr. CARNES. The earliest time we would do that would be in next year's budget request, for the fiscal year 2004 budget. At this point, what we are working with BPA to do is to lay down exactly which project is going to cost which amount of money and how each of these projects is going to be financed. There is still some borrowing authority remaining in the borrowing authority they have already received. There is then this additional tranche of \$700 million, and if the need is there, we would come back and ask for some more in the next year in 2004 or beyond.

Senator CANTWELL. Well, obviously increasing the reliability of the Northwest system, I am sure you will hear more from—

Mr. CARNES. And may I just say, Senator, that we are committed to increasing the economic health and vitality of the Northwest.

Senator CANTWELL. That is all the questions I had, but I am sorry, Ms. Scarlett, I did not realize you were here representing Interior. Did you want to comment on the PILT question?

Ms. SCARLETT. Yes, thank you, Senator. Yes, we are proposing \$165 million in this budget which you were right to note is less than the 2002 budget. At the same time, I should note it is substantially greater than historical levels through the 1990's which ranged between \$101 million and \$134 million.

This was a very tough choice for us. We understand that this is extremely important to the Western States, and we are trying to do our very best to meet the needs of those States, but had to make some very difficult tradeoffs. I should also note that the \$165 million that we proposed is an increase over what we proposed last year, although Congress then in 2002 increased that still further.

Senator CANTWELL. Obviously, Senator Bingaman already mentioned the cuts in the President's budget for economic action, but this program particularly impacts a variety of counties in our State and leaves them without really much assistance to provide support for their communities, schools or hospitals.

Sometimes you get the impression that the administration knows that whether it is in Hanford cleanup or these programs, that the Congress is counter to their beliefs and will just supply the funds. And we are at that budget battle again with a variety of these programs. Just as you commented, the Congress came in last year and pumped up that support. So, I do not know if the administration does not believe that these programs are effective and responsible actions in these communities or whether they just believe that Congress will come in and restore the funds.

Ms. SCARLETT. No. Actually we think these are very important programs and in fact understand that there are needs in those communities for those monies. When we began the process last fall, of course, prior to Congress acting on our 2002 budget, the numbers that we were putting forward, the \$165 million, was an increase over our previous year request, and in fact we thought at that time it might actually be equal to whatever Congress would propose. In the meanwhile, of course, Congress went even further ahead of us on that, and we ended up with our proposal below the 2002 enacted level. But we are committed to and I think our request, with the increase that it had over 2002, showed a recognition of the importance of this program.

By the way, I should also add in some other areas, we are attempting to provide resources to local communities. You had mentioned the fire plan, and of course, Interior has a role there which we are fully funding, and it includes a rural assistance component which we think is very important.

Senator CANTWELL. Well, I thank the panelists for their time this morning and being patient with us in between votes. We will hold the record open for questions to be submitted to you by other members for 1 week, and if you could get back to them on those questions, we would appreciate it very much.

We are adjourned.

[Whereupon, at 12:27 p.m., the hearing was adjourned.]

[Subsequent to the hearing, the following was received for the record:]

AMERICAN LANDS ALLIANCE,
Washington, DC.

PRESIDENT'S BUDGET THREATENS NATIONAL FORESTS

The Bush Administration has released its budget blueprint for FY 2003 which proposes to increase logging and to create a new "Charter Forest" system by turning over an entire National Forest (or two) over to a locally controlled trust, similar to a Resource Advisory Committee (RAC), to manage the land instead of the Forest Service "to reduce management bottlenecks and costs."

"The objective of the proposal is to reduce our unit cost in doing the things we do across the board," said Undersecretary of Agriculture Mark Rey. Few details are available about the Charter Forest program at this time, but it is being promoted by advocates who support privatizing and/or placing a money-making mandate on the public lands.

The proposal appears to be a modified version of the Forest Options Group proposal and legislation introduced in the last Congress (S. 1274) by Sen. Larry Craig (R-ID) and his former staffer Mark Rey to turn over National Forests to the states. Please see the Forest Options Group proposal at <http://www.ti.org/2cfinal.html> for more information about Charter Forests.

Legislation is needed before any lands can be turned over but this could come in the form of a rider on the Interior Appropriations bill. Conservationists will be working to stop this dangerous proposal.

TIMBER SALE BUDGET INCREASES AGAIN

The Administration is proposing spending \$278.6 million for timber sales on the National Forests. This is a huge increase from the \$233 million budgeted for logging only three years ago. The agency is also hoping to sell 2 billion board feet of timber this year, a substantial increase from the 1.4 billion expected to be sold this year.

The timber program will continue to be augmented by off-budget funds such as the Salvage fund (\$79.8 million) and KV Fund, which are fueled by timber receipts as well as hazardous fuels and restoration funding that is being used for commercial logging instead of brush removal in the wildlands interface zone or for true ecological restoration. In addition, it is necessary to count the \$.5 million for salvage, \$1 million for the timber sale pipeline (preparing future sales), \$38 million for road engineering support and \$5.8 million in direct logging road construction.

Other timber subsidies include an additional \$5 million for biobased products and bioenergy research. The Forest Stewardship Program is increased \$16 million, of which \$10 million is for a small-diameter and underutilized wood biomass cooperating fund and \$6 million is to be allocated competitively in priority locations identified by States within national priority areas identified by the FS. The budget does not include funding for the Economic Action Program or the Pacific Northwest Assistance Program.

On a potentially positive note, the budget includes a new \$12 million emerging pest and pathogen fund. The fund would be used to respond to new introductions of non-native or invasive pests or pathogens.

ANOTHER \$235 MILLION FOR HAZARDOUS FUELS REDUCTION

The budget includes approximately \$1.5 billion in funding for the National Fire Plan, a decrease of about \$185 million below the 2002 level. The reduction from 2002 is a result of reducing one-time emergency funding that was enacted to meet short-term needs.

The 2003 budget maintains funding for priority activities to increase efforts to fight wildfires, reduce the risk of fire, and assist communities including: \$235 million for hazardous fuels reduction (allows for the treatment of 1.7 million total acres); \$627 million for preparedness; and \$443 million for suppression activities which provides funding at the 10-year average. It is important to remember that as recent as 1990, the hazardous fuels budget was only \$80 million. The huge increase in this budget has resulted in a shift in agency priorities towards expensive mechanical fuel reduction treatments.

The budget also includes \$20 million for a pilot Fire Plain Easement Program. Under the proposed program, State officials, in consultation with the Secretary, would identify areas within and adjacent to NFS lands where potential fire suppression expenditures may exceed the estimated value of the private land. Within identified areas, States or the Secretary may use grant funds to acquire on a "willing sell-

er” basis perpetual easements to permit the implementation of fire suppression strategies, including allowing fires to burn without suppression activities.

This program has a potential benefit by allowing for more consistent management and a facilitating a let burn policy in back country areas by removing “interface” conflicts. However, it could also become a new \$20 million subsidy to industrial landowners who would receive an easement from the government which would then take responsibility for thinning these private forests. We’ll need to monitor this program to see how the money is actually spent.

MAKING PROGRESS ON FIRE POLICY ISSUES

In a series of surprising acknowledgments about issues the conservation community has raised about the fire program the Administration’s budget mentions the need to reduce costs for fire suppression, the need to focus on the urban/wildlands interface and the need for improved fire planning. The budget states:

“Costs for suppression have also risen as the other chart shows. In 2001, the Forest Service spent \$1,300 per acre in suppressing fires on 573,000 acres of forests, an increase in cost per acre of almost 300 percent over 2000. In comparison, wildfire suppression costs for the Department of the Interior (DOI) averaged about \$235 per acre, although much of DOI’s lands are grasslands, which burn less intensely than forests. In some western areas, the government pays more in suppressing fires than the fair market value of the structures threatened by those fires. It would literally be cheaper to let the fires burn and pay 100 percent of the rebuilding cost.”

“The Forest Service is looking at a variety of ways to control the costs of fire suppression. For example, the Forest Service will work with state and local governments to identify areas to pilot test ‘fire plain easements’ as a way to protect lives while ensuring that taxpayer funds are used wisely.”

“Another way to protect communities and lower fire-fighting costs is to reduce the amount of brush and small trees, especially in areas adjacent to human populations. The President’s Budget funds the Forest Service Hazardous Fuels Treatments program at \$229 million, with over 70 percent of funds directed to the wildland-urban interface. This will result in the completion of buffers at eight percent of eligible vulnerable communities by the end of 2003.”

“This budget also emphasizes improvements in fire management planning, and will incorporate the results of several ongoing program reviews, so that better decisions can be made regarding when and how to fight fires, and fire program performance and cost effectiveness.”

This is a good sign that the agency is feeling pressure from Congress on all of these issues. This year conservationists we will continue working with the agency on these issues as well as better defining the urban wildlands interface zone and prioritizing communities at risk.

LEGISLATIVE PROPOSALS IN THE PRESIDENT’S BUDGET

This year’s budget includes a number of legislative proposals that may be included in the Interior Appropriations bill, or that may move through the regular committees.

Permanent Authority for Recreation Fees

Proposed legislation would make permanent the current demonstration program and would authorize the Forest Service to retain and use recreation fees collected under the program which is opposed by the conservation community. We expect hearings in both the House and Senate to discuss this effort to make the fee demonstration program permanent.

Increased Timber Sale Competition

Proposed legislation would increase competition for commercial timber sales. The legislation would require timber sales, with certain limited exceptions, to be sold using the sealed bidding method. The legislation would also alter the requirement for harvesting timber, allowing recreation or conservation groups to participate in auctions of timber harvest rights. If only conservationists could afford to buy them all!

APPENDIX
RESPONSES TO ADDITIONAL QUESTIONS

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, DC, April 22, 2002.

Hon. FRANK MURKOWSKI,
Ranking Minority Member, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

DEAR SENATOR MURKOWSKI: Enclosed are responses to questions submitted following the February 12, 2002, hearing before the Committee on Energy and Natural Resources concerning the Department's Fiscal Year 2003 budget request.

Thank you for the opportunity to provide this material to the Committee.

Sincerely,

JANE M. LYDER,
Legislative Counsel,
Office of Congressional and Legislative Affairs.

[Enclosure]

RESPONSES TO QUESTIONS FROM SENATOR BINGAMAN

Secretary Norton stated that this budget request is "the largest Interior budget ever presented by a President." Unfortunately, the Youth Conservation Corps program, operated by the Bureau of Land Management, the National Park Service, and the Fish and Wildlife Service, does not benefit at all from this large budget. In fact, you request no increase for YCC (\$7 million total, same as FY 2002). YCC at one time was funded \$60 million and employed 30,000 young people on our public lands each summer.

Question. Rather than continuing to add new programs to the Conservation Spending Category, as you did last year (Private Stewardship grants program and the Landowner Incentive Grants), and propose to do this year (i.e. the North American Wetlands conservation fund and private forest stewardship), why don't you request increases for programs that are currently eligible such as YCC?

Answer. In formulating the FY 2003 President's Budget, the Department had to make difficult choices in balancing competing needs at a time of fiscal constraint. The Department's proposed allocation of funds best meets our assessment of current needs while maintaining the current level for the Youth Conservation Corps (YCC.)

The Department's request for the Youth Conservation Corps is \$5 million, the same as the FY 2002 level. Funding for the YCC has more than doubled since FY 1999 when the program totaled \$2.0 million.

The 2003 budget request for YCC will provide almost 1,000 students an opportunity to work at over 160 different Interior Department sites. Young adults participate in conservation projects such as maintaining parks and other public lands, and in return, they are introduced to the conservation mission of the Interior Department.

In addition, the U.S. Forest Service 2003 budget maintains YCC funding at the current level of \$2.0 million, providing a total YCC program of \$7.0 million.

The programs you mention: the Private Stewardship grants program; the Landowner Incentive grant program; and the North American Wetlands Conservation Fund program all promote important conservation efforts that are critical to the mission of the Department of the Interior.

The \$10.0 million requested for the Private Stewardship grants program will directly assist individuals and groups engaged in local, private, and voluntary conservation efforts for the benefit of federally listed, proposed, or candidate species, and other imperiled species.

The Landowner Incentive program will provide \$50 million to facilitate private wildlife conservation efforts. The program provides competitive matching grants for the protection and restoration of habitats found on private lands that benefit listed species or species at risk.

The \$43.6 million North American Wetlands Conservation Fund program provides matching grants to private landowners, States, non-government conservation organizations, Tribes, trusts, and corporations for acquisition restoration, and enhancement of wetland habitat.

Question. I understand that EIA will be taking over from the private sector (AGA) the function of reporting natural gas storage data on a weekly basis. Storage data is a key market indicator in the natural gas commodity markets. Does your budget request provide additional funding for this responsibility? Are you discontinuing other reports to make room for the storage report? I am also concerned about improving the quality and availability of electric industry data. What does the budget contemplate in this area?

Answer. Natural Gas Data: The budget for 2003 requests authority to use \$500,000 in EIA prior year deobligated funds to pay for the FY 2003 operation of the new weekly gas storage data system, the web-based dissemination of the estimates, and the conduct of data quality initiatives. No monthly or annual data reports have been discontinued to make room for the new weekly storage report.

Electricity Data: The Energy Information Administration's proposal is to use \$1.3 million to continue to improve the quality, quantity and relevance of its electric power data. To improve the scope of the electricity data, the Office of Management and Budget approved EIA's new electric power data collection forms during November 2001. These new forms will now collect most of the same information from non-utilities, as it has previously collected from utilities, as nonutility electricity production is a growing part of the total electricity picture. To accomplish this, EIA will be collecting more financial, environmental, receipts and sales data from nonutilities, and EIA will also be collecting more information on existing and new transmission lines from both utilities and nonutilities.

To improve timeliness, as well as data quality, EIA has developed a new data collection system to allow for the respondents to enter their data directly into EIA's database using the Internet. The system is designed to supply the respondents with feedback on the quality and accuracy of their data, by providing comparisons of their data to industry norms or their prior year's data. Assisting the data providers with this "real-time" review of their submission will improve the quality of the data delivered to EIA while reducing the time and resources needed to audit and follow-up on errant submissions. The system will also include quality assessment reports that will evaluate the data from a higher level of aggregation. Performance statistics are also being incorporated to monitor the quality of the data over time.

EIA is also developing a new design for its data dissemination. EIA will make its electric power data available on the Internet through the use of easily accessible spreadsheets at a variety of levels (i.e., national, State, region, company level).

NUCLEAR POWER 2010

Question. DOE proposes to establish a new, \$38.5 million program called Nuclear Power 2010, designed to help the private sector overcome technical and regulatory obstacles facing the deployment of new nuclear power plants. The Department will cost-share with project teams comprised of reactor vendors and power generation companies in a two-phase program. The first phase is an effort to demonstrate untested Nuclear Regulatory Commission licensing processes. The second phase will complete the engineering and design work for one advanced light water reactor and one advanced gas-cooled reactor in time to allow start of plant construction by 2005.

The Administration proposes to establish a program to help get new nuclear power plants built in the U.S. Have U.S. utilities expressed significant interest in building these new plants?

Answer. U.S. utilities and power generating companies are demonstrating growing interest in building new nuclear power plants, due in part the recognition that nuclear power plants are expected to be profitable sources of generation, growing recognition of the clean air benefits associated with nuclear energy, and the strong performance and record of the Nation's existing nuclear power plants. As you know, there has been a strong secondary market for purchase of the nation's existing nuclear power plants and each year the Nation's existing nuclear plants achieve record performance. Also, the activities of the Federal Government regarding nuclear technology and policy and the future of nuclear energy in the U.S. and abroad cannot be overstated.

Exelon Corporation has been looking into development and building of new nuclear power plants for several years. Exelon has become a partner along with British Nuclear Fuels (BNFL) and Eskom, a South African nuclear utility, in a corporation called PBMR Limited that is focused on the development and construction of the Pebble Bed Modular Reactor (PBMR). Exelon's interest is to build and operate this advanced gas reactor in the United States.

Several other nuclear power companies have been seriously evaluating the prospects of new nuclear power plants in the near term. Dominion and Entergy have both publicly stated their interest in new nuclear power plants as part of their future electricity generation strategies. The Department is aware these three utilities have evaluated, or are in the process of evaluating, potential nuclear power plant sites. Dominion and Exelon are participating in Department sponsored cost-shared Early Site Permit scoping studies of both Federal and commercial site locations. Utilities are discussing the deployment potential of several advanced nuclear power plant concepts with vendors such as Westinghouse, General Electric, and General Atomics. Foreign interest in the U.S. nuclear generation market is also increasing. France's Framatome and Canada's AECL both plan discussions with the Nuclear Regulatory Commission (NRC) regarding the Design Certification of their advanced designs. Japanese companies have held discussions with several nuclear power generating companies regarding the construction of a certified advanced reactor design.

The interest level is high and utilities are participating in these activities with considerable enthusiasm. They are working very aggressively to determine whether the business case exists to build new nuclear power plants in this country by the end of the decade.

PENSION AND HEALTH CARE BENEFITS

Question. Please explain why the proposed change is not explicitly called out in the DOE budget request, and why the proposal does not endanger federal employee benefits and usurp the authority of Congress.

Answer. The Fiscal Year 2003 Congressional Budget submission includes the increased cost to fully fund accruing pension and annuitant health benefits. These amounts are identified in the program direction totals for each appropriation. An explanatory footnote was also included showing the specific amounts for each year. The Administration proposal does not endanger federal employee benefits because the increased discretionary amounts are to fund the post-retirement costs of current employees, not the benefits of current retirees, which are funded by mandatory payments from the retirement funds. The intent is to fund the total costs of each and every employee, including their accruing post-retirement costs, at the time that the employment decision is made. The presentation of the full costs in the budget will allow the Congress to see a much more accurate picture of real costs of programs.

RESPONSES TO QUESTIONS FROM SENATOR AKAKA

One of the pressing problems facing Hawaii is the identification of extensive areas of critical habitat for endangered species by the U.S. Fish and Wildlife Service. These actions are currently taking place in Hawaii under court order, but nonetheless Hawaii has the highest number of endangered species in the U.S. and faces daunting responsibilities to protect the species and to work with the public in conservation efforts. Our state agencies are faced with overwhelming challenges and lack the appropriate funds to address the needs. The FY 2003 budget request for the Cooperative Endangered Species fund is reduced by \$5.2 million from last year's appropriation. Additionally, the conservation spending category—Title VIII of the FY 2001 Interior Appropriations Act, or CARA “lite”—has also decreased by \$441 million from authorized levels established by Congress in 2001.

Question. Given the reduction in funding for the conservation categories such as Title VIII and the Cooperative Endangered Species Program, how do you see the Administration's proposed Cooperative Conservation Initiative (CCI) filling the gap to address needs of states like Hawaii with intractable challenges for endangered species and nonindigenous species? How will CCI funds be allocated to states, and on what basis?

Answer. The \$100 million Cooperative Conservation Initiative (CCI) provides mechanisms and incentives for states and Interior Department Bureaus to work together to address the conservation challenges faced in many regions of the country, and can help address the unique conservation challenges in Hawaii.

The CCI is an approach to conservation that strengthens our partnerships with states and local governments and other partners. Of the \$100 million requested for CCI, half would go to the states through the Land and Water Conservation Fund State Grant Program. The other half would be divided among our land management

agencies, the National Park Service (\$22 million), the Fish and Wildlife Service (\$18 million) and the Bureau of Land Management (\$10 million).

Partners are required for CCI funds and may be States, local governments, Tribes, non-governmental organizations, private sector entities, and/or private individuals. Coalitions of partners are encouraged. A minimum of 50 percent match through new cash and/or in-kind goods and services (not used for match elsewhere currently or previously) is required, thereby doubling the effect of the Federal funds.

There are two different aspects of the new Cooperative Conservation Initiative in so far as the generation of grant applications is concerned. First, applications for the LWCF State Grants portion will be nominated through the Governors' LWCF State Liaison Officers while, the BLM, FWS, and NPS Directors each will make final decisions on competitive applications for funds for the relevant State LWCF and/or Federal program under his/her purview. Second, the CCI LWCF State Assistance funds would be available through grants, while the Federal CCI program funds will be made available through cooperative agreements, memoranda of understanding, or contracts.

Question. I am pleased to see the Administration request of \$107 million in additional funding for the National Park Service, including a continued commitment to address the backlog in maintenance and facilities, and much-needed increases for park management. I would add that I am especially pleased to see the Park Service propose \$4 million in priority funding for Hawaii Volcanoes National Park in the Land and Water Conservation Fund.

My question has to do with the proposed increases in the Park Service's Resource Stewardship programs under Park Management. As you know, our national parks are under siege by invasive species, from the Great Smoky Mountains to Haleakala. In some parks it is feral pigs causing damage, and in other parks it is introduced tree species, such as miconia in Hawaii. Miconia is a fast-growing, tall, invasive tree species that forms dense, impenetrable stands. It is currently outside the boundaries of Haleakala National Park and we need to keep it there. Can you explain whether the increases identified to fight exotic species under the Natural Resource Challenge account can be used to fight exotics if they are outside the boundaries but threatening the resources inside the national park? Can demonstration fees be used to address the situation? What assurances can you provide that we can get some relief from invasives that threaten park resources, both inside and outside the boundaries?

Answer. The National Park Service and the Department of the Interior are very concerned about invasive exotic species and very cognizant of the fact that controls are ineffective unless neighbors work together. Miconia threatening Haleakala National Park is a special concern. The National Park Service is an active member of the Maui Invasive Species Council that works to control Miconia and other invasive species both on and off the park.

The National Park Service's Native and Exotic Species Management Program, part of the Natural Resource Challenge, provides funding directly to a number of parks and nine Exotic Plant Management Teams to manage exotic species within park boundaries. Haleakala has received direct funding and is the host park for the Pacific Islands Exotic Plant Management Team. However, our solicitors inform us that current National Park Service statutes do not provide the authority to conduct these activities outside of park boundaries.

The President's FY 2003 budget proposes \$22 million for the Cooperative Conservation Initiative. As proposed, this funding requires a one-to-one match of non-Federal funding or in-kind contributions. The non-Federal matching funds could be used to fight exotic species outside of the parks boundaries. Federal funds will be used in a manner consistent with park units' operating authorities. This funding would allow increased efforts with the Maui Invasive Species Council and with other groups and neighbors working together to control invasive exotic species.

Invasive species are a threat to this country's resources. The more we can provide our managers with the flexibility to address these resource threats through collaborative efforts with our neighbors the better we can protect our resources.

Question. I took note of the \$11.2 million decrease between the FY 02 budget and the proposed budget for the Office of Insular Affairs for FY 03. The Office of Insular Affairs has been consistently underfunded in the past few years, given its immense responsibilities in addressing the needs of the insular areas and territories.

The Office of Insular Affairs budget includes a \$750,000 increase to support additional staffing for oversight of the Compact of Free Association financial assistance. The budget documents indicate an increase of four full-time employee positions. Can you please clarify why four additional employees are going to be necessary for oversight of the Compacts?

Answer. In reviewing the experience of the first period of Compact financial assistance, the Office of Insular Affairs believes the Compact, as negotiated, moved too far in the direction of local control and away from basic standards of accountability and United States oversight. This need for greater accountability and oversight has been endorsed by the Interagency Group on Freely Associated States in reviews conducted by the General Accounting Office and in hearings before Congress. Our budget request for additional positions is a significant part of the United States response to the demonstrated need for greater accountability and oversight of United States funds. Our budget request actually envisions eight additional staff positions for this function, six of which will be centrally located in Hawaii and two in Washington. It will only require four full-time equivalent staff-years in fiscal year 2003 because we will be in transition and recruiting and hiring will be occurring throughout the year. The new financial assistance package is expected to more than double OIA's total grant funding, for which we currently have eight dedicated staff-years.

Question. The FY 03 budget completely eliminates Compact Impact Aid funding for the State of Hawaii. FY 02 was the first time that Hawaii received funding for compact impact assistance despite the millions of dollars that Hawaii has spent to meet the health and education needs of compact migrants. Could you explain the justification of eliminating Compact Impact Assistance for the State of Hawaii when the health and medical costs associated with compact migrants continues to increase.

Answer. The Department recognizes the impact on social and educational programs in Hawaii and other United States insular areas. We have worked within our Assistance to Territories account to identify impact assistance for Guam and the Northern Mariana Islands. We are now working closely with the Department of State, seeking to deal with this issue on a broader basis in the context of re-negotiating the Compact of Free Association financial assistance package. We hope to address Hawaii Compact impact issues in the new financial assistance package. Unfortunately, any funding we identify through this process will not be available until the new financial assistance package is implemented in FY 2004.

Question. How much does the Department of Energy propose to spend on the FreedomCar in fiscal year 2003? Is this an interagency program? If so, which other Federal agencies are involved in this venture and how will they be involved?

Answer. The Department of Energy (DOE) FY 2003 budget request for FreedomCAR is \$150.3 million. This amount includes funding for the Energy Efficiency and Renewable Energy's Offices of Transportation Technologies and Power Technologies. DOE is the sole Federal agency in the FreedomCAR partnership. Other agencies will be involved on a consultative basis. For example, the Department of Transportation may provide expertise on new infrastructure, requirements, and we expect that the Environmental Protection Agency will provide advice concerning technologies that are most likely to achieve future emission standards.

RESPONSES TO QUESTIONS FROM SENATOR CRAIG

COOPERATIVE CONSERVATION INITIATIVE

I am encouraged that the Interior Department is seeking to explore and build on creative natural resource restoration ideas through its cooperative conservation initiative. In my view, however, agency implementing guidance and selection criteria for an initiative such as this become the most important factors in its success or failure. Many of our resource industries are at the forefront in crafting solutions for restoring disturbed environments.

Question. Will commercial resource development companies, for example, mining companies, be eligible to participate in projects funded under this initiative?

Answer. The Cooperative Conservation Initiative is a cost share program that funds restoration, protection, and enhancement of natural areas through established programs and new pilot programs that feature creative approaches to conservation.

Not-for-profit subsidiaries of commercial resource development companies will be eligible to participate in projects funded under this initiative provided the projects further the Federal mission of the bureau with which it seeks to partner and meet the criteria of the CCI program.

ENVIRONMENTAL MANAGEMENT—NEW APPROACH

Under the new approach to the Environmental Management Program proposed in the DOE budget, if states do not agree to renegotiate their clean-up agreements, they will suffer a greatly reduced clean-up budget in the coming fiscal year.

Question. Under such a scenario, how would the DOE decide which of its milestones it would meet and which ones it would fail to meet?

Answer. The overall requested funding level of \$6.71 billion is approximately the same as the FY 2002 appropriation. The Department anticipates the FY 2003 appropriation will enable it to be substantially in compliance with its legal agreements and requirements in FY 2003.

We can't do business as usual under any funding scenario. We must be focused on more than meeting our legally enforceable milestones, but also on addressing our environmental obligations to the communities and the American taxpayer. With the additional funding from the EM Cleanup Reform account, we will be able to pursue cleanup approaches that will produce more real risk reduction, accelerate cleanup, or achieve much needed cost and schedule improvements, as well as maintain compliance with legal requirements.

Question. Why should States have confidence in any new agreements they sign with DOE, if DOE openly acknowledges it cannot meet the agreements in place now?

Answer. It is not our intention to evade compliance with any regulatory agreements. What the Department is trying to do throughout the complex is revise its cleanup strategies and internal practices to achieve more cleanup and risk reduction.

These regulatory agreements were always intended to be living documents, with processes to enable improvement and revisions as needed to reflect actual cleanup experience to achieve our mutual goals. The Department anticipates the FY 2003 appropriation, in combination with improved agreements with regulators and improvements in program performance resulting from implementing the Top-to-Bottom recommendations, will enable it to be in compliance with its legal agreements and requirements in FY 2003.

The Department recognizes its obligation to the communities that have supported the Department's national security mission over the past 50 years, and is firmly committed to completing the cleanup of the sites that contributed to that mission, and to ensuring the safety of the workers and the public while that cleanup is underway.

NUCLEAR ENERGY RESEARCH

Question. Two years ago, the Idaho National Engineering and Environmental Laboratory and Argonne West Lab were named the DOE's Lead Laboratories for nuclear reactor design and technology. I am encouraged to see the DOE's new initiative entitled Nuclear Power 2010. This new initiative has the goal of working with the nuclear power industry to address the barriers to the deployment of new nuclear plants.

Aside from this initiative, however, nuclear energy research—as a whole—is down in funding from the current year. How do you explain this, given the support expressed for nuclear energy in the Administration's National Energy Policy?

Answer. The Administration is committed to a balanced energy portfolio, one that recognizes the benefits of nuclear energy in providing reliable, clean, and affordable electricity for the Nation. We believe that nuclear energy is key to long term energy security. The FY 2003 budget request reflects the need to fund higher priorities within the Office of Nuclear Energy, Science and Technology and within the Department.

Despite these reductions, the Department is moving forward with a substantial nuclear R&D agenda. Nuclear Power 2010 is the first major new nuclear initiative in about a decade. It is aimed at deploying new nuclear plants in the United States by the end of the decade. We believe this is an ambitious goal but one that is achievable, and that there is a role for government in working with industry to remove technical and institutional barriers to building new plants. As such, we are proposing to work in cost-shared cooperation with industry to demonstrate the streamlined but never tested regulatory processes required to build and operate new nuclear plants. This year, we announced plans to initiate a cost-shared demonstration of the Early Site Permit process with nuclear utilities or generating companies over the next thirty months and we are proposing additional activities for FY 2003 to initiate cost-shared reactor technology development activities for one advanced light water reactor and one gas-cooled reactor technology.

The Administration also supports long-term nuclear R&D. The Department proposes to increase our investment in Generation IV technologies, with \$8 million requested in FY 2003. With the support of our lead laboratories, Idaho National Engineering and Environmental Laboratory and the Argonne National Laboratory, this funding will enable us to complete the technology roadmap in early FY 2003. The

roadmap will identify the six to eight most promising technologies, and the Department will begin working in cost-shared cooperation with the Generation IV International Forum countries on R&D. Our Nuclear Energy Research Initiative (NERI) request of \$25 million, although less than this year's appropriation will enable those projects awarded this year and underway from prior years to continue in FY 2003. We strongly support the objectives of NERI and hope to see the program grow again in the future. The Department also supports the objectives of the Nuclear Energy Plant Optimization (NEPO) program and hopes that the highest priority projects will continue to be supported by industry.

Question. Two years ago, the Idaho National Engineering and Environmental Laboratory and Argonne West Lab were named the DOE's Lead Laboratories for nuclear reactor design and technology. I am encouraged to see the DOE's new initiative entitled Nuclear Power 2010. This new initiative has the goal of working with the nuclear power industry to address the barriers to the deployment of new nuclear plants.

In your vision of developing automobiles which utilize hydrogen for their fuel, how do you envision the amounts of hydrogen necessary for a substantial portion of the automobile market will be produced? Does nuclear power play a role in this?

Answer. Hydrogen has the potential to solve two major energy challenges that confront America today: reducing dependence on petroleum imports and reducing pollution and greenhouse gas emissions. Non-emitting energy technologies for the production of hydrogen, including nuclear power, must be used to the fullest extent possible if we are to meet these two challenges. The amount of hydrogen necessary to fuel even a modest portion of U.S. automobile market will far exceed the current 3 billion cubic feet of hydrogen needed each day by U.S. oil refineries to produce gasoline from ever increasingly heavy crude oils. The standard method for hydrogen production today is, by "reforming" natural gas at high temperatures which also results in additional greenhouse gases. The steps required to transition the Nation to a hydrogen-based energy infrastructure are outlined in the Department of Energy's document, "A National Vision of America's Transition to a Hydrogen Economy—To 2030 and Beyond." This document is based on the results of the National Hydrogen Vision Meeting held in November 2001, at which 53 senior executives representing energy industries, environmental organizations, and Federal and State government agencies met to discuss the future of hydrogen in America's energy future.

As a non-emitting source of energy, commercial nuclear power is a very, attractive method for the generation of large quantities of hydrogen. The high temperatures attainable in gas-cooled and liquid metal-cooled reactors allow higher efficiency thermochemical water-cracking processes to be employed, increasing the overall efficiency to 50-60 percent compared to 20-30 percent in traditional processes such as electrolysis. These reactor technologies—which are areas of significant interest to our lead laboratories—can supply a mix of energy products, such as electricity during peak demand and hydrogen during periods of lower demand, or offer a dedicated baseload supply of hydrogen which may be supplemented by other non-emitting sources such as hydropower. As a non-emitting baseload energy source, nuclear is uniquely suited to support large scale hydrogen production for use in the transportation sector.

SUBSURFACE GEOSCIENCES—RELEASE OF CURRENT YEAR FUNDS

In DOE's budget for the current year, Congress provided \$4 million for Subsurface Geoscience Research at the INEEL. This funding is to go to eight universities in the Pacific Northwest and Alaska. Although it is now February, these funds still have not been released by DOE Headquarters.

Question. Why have these funds not yet been released and when can they be expected to be transferred to the Idaho Operations Office?

Answer. Funding for the Subsurface Geoscience Research Institute has been released to the INEEL. Approximately 81 percent is available for obligation through March 31, 2002. An additional 9 percent will be released in April with the remainder available in July.

Question. I am pleased to see that your recommended budget for 2003 contains at least some increase in funding for the fusion program. As I understand it, the scientific knowledge of fusion has increased greatly over the past decade and the fusion community is ready to move forward with a burning plasma experiment.

Is it time now to put some more resources into developing the technology and materials necessary for fusion energy in order to hasten the day when fusion energy can be shown to be practical? How much of the fusion program budget is spent on these important areas?

Answer. At this time, in the U.S. fusion program and other fusion programs abroad, the next major step is seen as a burning plasma physics experiment. The larger fusion energy research programs in the European Union and Japan are explicitly directed toward fusion energy development paths and, consequently, are investing greater amounts of resources in technology and materials than is the U.S. fusion energy sciences program. Scientific results from the U.S. Fusion Energy Sciences program have strongly influenced the revised ITER design. Once decisions are made on the step toward a burning plasma physics experiment, the nature and timing of any additional resources for further technology and materials research and development capabilities will become clearer than they are today.

In the FY 2003 Budget Request, 11.1 percent (\$28.5 million) of the total funding request for Fusion Energy Sciences is for enabling technologies research and 3 percent (\$7.6 million) is for materials research. Given the many priorities in the program, the significant fusion technology and fusion materials programs abroad and the related technology and materials programs in the U.S., and our collaborative involvement in both sets of programs, the Department deems this allocation to be sufficient.

RESPONSES TO QUESTIONS FROM SENATOR MURKOWSKI

Question. Ms. Scarlett, I note that the Forest Service has proposed a \$25.6 million increase in the National Fire Plan hazardous fuels [reduction program] while the Bureau of Land Management seems to have requested a flat budget request for this line item. Why is it that the BLM has made that much progress in hazardous fuels reduction?

Answer. A portion of the Forest Service increase reflects the Administration's CSRS/FEHBP legislative proposal to budget for the full costs of these programs with each agency's budget. While the Department of the Interior has similarly included these costs in its request, the Department did not break out this funding amount below the account level as USDA did in its request. Therefore, this funding is shown as being allocated to the wildland fire management account as a whole, rather than to fuels reduction specifically, even though these funds will ultimately be used to support the fuels program.

The additional increase for the Forest Service reflects a somewhat differing assessment of needs between the two agencies based on the amount and types of hazardous fuels on agency lands and the amount of work required to reduce fuel levels on each agency's lands. The funding levels in the President's budget are not based upon any assessment that one agency has made more progress than the other in terms of fuels reduction.

Question. Mr. Griles, the Department of the Interior has proposed a 50 percent tax credit on capital gains if a private landowner sells his or her land to the Federal Government or a Non-governmental Organization.

How much land do you expect to gain through this program and how much capital gains tax credits do you expect to pay out per year?

Answer. We do not yet have an estimate of how much land will be set aside for conservation purposes under the Conservation Tax Credit program. We expect, however, that this non-regulatory, market-based tool to promote conservation goals will be well received. The Conservation Tax Credit program allows a 50 percent capital gains exclusion for private landowners who voluntarily sell land or an interest in land or water, including easements. The Treasury Department estimates that over the next five years the value of these tax credits could be \$328 million as shown below.

Revenue estimate of the tax credit program by year as estimated by the Department of the Treasury:

2002	2003	2004	2005	2006	2007	2003-2007
-	-2	-44	-90	-94	-98	-328

Question. How do you propose to offset the Capital Gains revenues lost by the federal government, as a result of this problem?

Answer. The Administration's total budget proposal for all Federal agencies factors in the loss in revenue for this 50 percent tax exclusion.

RESPONSES TO QUESTIONS FROM SENATOR DOMENICI

PLUTONIUM DISPOSITION PROGRAM

Question. Progress on plutonium disposition must be coordinated between the United States and Russia. It would not be appropriate for the United States to be the only nation with such a disposition program, especially when Russia has far

more surplus plutonium than the United States. I realize that the development of the Russian program requires the full cooperation of Russia and represents an inter-agency endeavor for the United States.

Is the Department adequately funded to fully support the development of a cooperative program with Russian to dispose of their plutonium?

Answer. At the present time DOE is adequately funded to support the development of a cooperative program with the Russian Federation to dispose of surplus Russian plutonium. Current U.S. policy is to seek international support for plutonium disposition in Russia. In this regard, the United States Congress has appropriated \$200 million to support Russia's surplus plutonium disposition program, and we have indicated that we will seek an additional \$200 million for this purpose. Britain has announced they will contribute the equivalent of over \$100 million; France and Japan have announced lesser amounts. All three total \$200 million.

The Department of State (working with DOE) has intensified efforts and meetings with G-7 counterparts with the goal of additional pledges by the G-8 Summit in Canada in late June. This will energize the necessary negotiations on completing multilateral financial and organizational arrangements.

At the same time, representatives for the Departments of State and Energy have begun a series of meetings with their Russian counterparts to discuss ways to achieve increased Russian contributions and develop a more cost-effective program.

ROCKY FLATS CLOSURE

Question. In announcing the MO_x decision, the Department indicated that plans for disposal of 2 tons of plutonium-bearing wastes were not final. There has been widespread suggestions that these materials will be diluted to enable removal of international safeguards and subsequent removal at WIPP. I've been assured by the Secretary that a range of alternative disposition paths will be examined for these materials and that they will not be shipped to WIPP.

Does the Department's budget request contain funds required to accomplish this additional study?

Answer. The Department is considering a range of disposition alternatives for this material. One of the alternatives involves added processing that might result in the recovery of additional product suitable for fabrication into MO_x fuel if that turns out to be a relatively cost effective path for disposition of this material. In that instance up to two metric tons might also be credited toward the 34 tons that the United States has agreed to dispose of. The Department of Energy has adequate personnel to conduct this examination and we anticipate that no additional funds will be required to accomplish this study.

RESEARCH ON ALTERNATIVE MANAGEMENT APPROACHES FOR SPENT NUCLEAR FUEL

Question. The President's National Energy Policy:

"recommends that . . . the United States should reexamine its policies to allow for research, development and deployment of fuel conditioning methods (such as pyroprocessing) that reduce waste streams and enhance proliferation resistance."

And also stated:

"The United States should also consider technologies, in collaboration with international partners . . . , to develop reprocessing and fuel treatment technologies that are cleaner, more efficient, less waste-intensive, and more proliferation resistant."

Yucca Mountain, even if successfully opened as a repository for spent fuel, does not have sufficient capacity to accept the spent fuel from even the existing nuclear plants much less any new one. Furthermore, it would be extremely difficult to gain approval for new repositories for spent fuel.

Why did the Department choose to deviate so dramatically from the President's National Energy policy which supported this research and cut roughly \$65 million from the ongoing programs?

Answer. This program activity has evolved significantly over the last two years. Originally, it was directed to apply high-energy accelerators to transmute spent fuel to lower quantity, less toxic forms. Consistent with the direction of Congress, we are combining the technology activities at the national laboratories and the University of Nevada-Las Vegas into a single, integrated program to explore both reactor and accelerator technologies associated with spent fuel pyroprocessing and transmutation.

While we are interested in the potential of this research, we also recognize that it represents a long-term, potentially expensive commitment of the Department's scarce nuclear technology research funding.

An independent expert committee chaired by Dr. Burt Richter believes that the next phase of this research could cost over \$400 million over the next five to six years. Before we can commit to such an investment, it is important that we be certain that the goals and approach of this research be carefully reviewed and a clear plan established.

Such a plan is now being written with considerable input from Dr. Richter's committee and should be provided to Congress by the first of May. Unfortunately, this plan could not be completed in time to support a more robust funding request during the formulation of the Department's FY 2003 budget.

Once it is complete, however, I am confident that the plan will detail a technical approach to this research that we will be able to discuss with Congress and use to determine an appropriate path-forward for this research.

LOS ALAMOS NATIONAL LABORATORY FOUNDATION

Question. Section 3136 of the National Defense Authorization Act for Fiscal Year 2002, specifically authorized the Secretary to continue payments to the Los Alamos National Laboratory Foundation for fiscal year 2003. That Foundation enables vital educational enrichment programs in the region surrounding the Laboratory in Los Alamos. It directly supports the Laboratory's ability to recruit and retain the scientific staff who certify our nuclear stockpile and are playing a vital role in homeland security and the war against terrorism.

Please explain the Department's rationale for zeroing this support in fiscal year 2003.

Answer. The Department's original plan for funding the Los Alamos National Laboratory Foundation was described in our 1998 report to Congress pursuant to section 3167 of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85). That plan called for providing a total of \$25M through fiscal year 2002 with no further funding thereafter, as required by the Act. As described in our latest report to Congress pursuant to section 3136 of the National Defense Authorization Act for Fiscal Year 2002, which will be submitted shortly.

PIT FABRICATION

Question. A Department of Energy report last year called for "projectizing" the production of pits for our nations nuclear stockpile and called for \$245 million in fiscal year 2003 in order to achieve a certified pit by 2007. Pit production is perhaps the most important and highly visible program in our entire stockpile program. I am very concerned that the Department only requested \$194 million for this effort for the next fiscal year.

Please explain the rationale for the reduced request for pit production?

Answer. The \$242 million for fiscal year 2003 called for in the September 2001 pit report to the Congress covers both W88 pit manufacturing and certification and includes a contingency of some \$53 million. The Department's request of \$194 million for FY 2003 covers W88 pit manufacturing and certification as well as pit manufacturing technology and Modern Pit Facility activities. The program remains on track to deliver a certifiable pit by 2003 and a certified pit by 2007. To balance near-term priorities, contingency funding for the W88 pit manufacturing and certification project has been eliminated in FY 2003. These contingency funds are for risk mitigation activities, if needed. Risk contingency funding for the projectized W88 pit activities is currently budgeted for fiscal year 2004 and beyond.

RESPONSES TO QUESTIONS FROM SENATOR WYDEN

SOIL WASHING TECHNOLOGY

The Department of Energy (DOE) is currently working with an innovative Soil Washing Technology proposal, which the Deputy Assistant Secretary has acknowledged as a significant improvement over other systems.

The technology has been reviewed by qualified people including a panel at INEEL (Idaho National Nuclear Engineering Laboratory), a Hanford Manager, a panel at Oregon State University's Department of Nuclear Engineering, which would save the taxpayer's money.

The proposal initially received a "business as usual" form letter response at the same time the Deputy Assistant Secretary for Environmental Management (Mr. Gerald Boyd) was stating in a conference call that he considered the proposal open and "on the table."

The Deputy Assistant Secretary then directly assigned the project to the Director of Technology Development (Mr. Jeff Walker), the same person who had been working on the project all along.

Mr. Walker put the technology through an intensive cost comparison on an actual DOE site where other soil washing systems had been rejected due to inefficiency and high cost. The study showed that the innovative changes made by this new technology would provide a 50% cost reduction and reduce the cleanup time from 22 years down to eleven years.

It is my understanding that the DOE concluded the technology would work, but that they did not want to spend the money to fund a demonstration.

The original proposal called for a two-year project at a cost of \$9.6 million dollars with the DOE required 50% contingency adder. Suggestions from the DOE reviewers, and in an effort to get the project started, a schedule change was discussed with the DOE involving a phased approach lasting three years with an initial stage lasting nine months at a cost of between \$450,000 and \$500,000. Subsequent stages would be subject to the success of the first stage thereby lessening the commitment on the DOE and resting the burden directly on the technology.

It has come to my attention that now, after more than two years into the process, the project has been asked to submit another proposal under a new broad open solicitation, which is not scheduled to close until the end of 2002, and for which, according to the solicitation, there aren't any funds available. In other words, they are being asked to essentially forget about the last two years and start the process over.

Question. Wouldn't you agree that the DOE "business as usual" practices do not make it easy for promising new technologies to be tested and funded?

Answer. Our goal has always been to invest properly and prudently in the right technology development projects that show promise of significantly improving cleanup of the DOE complex and reducing the costs to the taxpayer. The value of an innovative technology is the potential improvement over the baseline approach for either cost, schedule, performance or regulatory acceptance.

If cleanup technologies have been utilized in the past and have demonstrated improvement over the baseline, other sites have substituted those innovative technologies for their current approach. However, if the contaminated area has different attributes or the technology needs some enhancements to demonstrate improvements over the baseline, then technology funds are often utilized to develop those improvements. These potential "improvement" projects are evaluated and prioritized with other projects. Based on the funds available, a decision is made as to which projects will be funded.

In the case of soil washing, this technology has been demonstrated for certain contaminants at specific sites. The technology is most successful where the soil is granular, the contaminants are soluble in water, the soil has a fairly high contaminant concentration level, and the secondary wastes are minimal. There are very limited areas where these conditions exist. In fact, at most sites, it is much more cost effective to remove the soil and dispose of it in an acceptable disposal cell. For sites with on-site landfills, soil is otherwise needed to fill in around debris placed in the disposal cell, which further reduces the benefit of soil washing.

We continue to look for ways to implement promising technologies in a more timely fashion. The challenge is finding the applications where the technology is an improvement over the baseline and not just the use of an innovative technology for its own sake.

Question. The DOE is on record saying it needs new innovative technologies to solve cleanup problems and save money. Here is a technology that has been acknowledged and entertained by DOE management for over two years, endorsed by nuclear scientists, shown to be cost effective while actually cleaning up radioactive waste, and is being called for as necessary to achieve the DOE cleanup mission, can now be asked to go through yet another year of proposal writing and review? Why can't a project that has all of this support and affirmation seem to get off the ground?

Answer. In general, the Department must be satisfied that this technology provides an improvement over the current soil washing practice already available to DOE. The value of an innovative technology is the potential improvement over the baseline approach for either cost, schedule, performance or regulatory acceptance. If cleanup technologies have been utilized in the past and have demonstrated improvement over the baseline, other sites have substituted those innovative technologies for the current approach. However, if the contaminated area has different attributes or the technology needs some enhancements to demonstrate improvements over the baseline, then technology funds are often utilized to develop those improvements.

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The Department has met with the proponent of the soil washing process, and has explained the specific, basic data that are necessary in order for the technology to be considered for support. So far, the information provided is insufficient to demonstrate any significant improvement in the cost effectiveness of this technique over other baseline methods used at individual DOE sites.

